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A Case-Based Analysis of the Investment Effects of the Community Revitalization Tax Act

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A CASE-BASED ANALYSIS OF THE INVESTMENT EFFECTS OF THE COMMUNITY REVITALIZATION TAX ACT

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Friend, says he, the taxes are indeed very heavy; and if those laid on by government were the only ones we had to pay, we might more easily discharge them; but we have many others and much more grievous to some of us. We are taxed twice as much by our idleness, three times as much by our pride and four times as much by our folly; and for these taxes the commissioners cannot ease or deliver us, by allowing an abatement. However let us hearken to good advice, and something may be done for us; " God helps those that help themselves," as Poor Richard says.

- Father Abraham in
The Way to Wealth
by Benjamin Franklin

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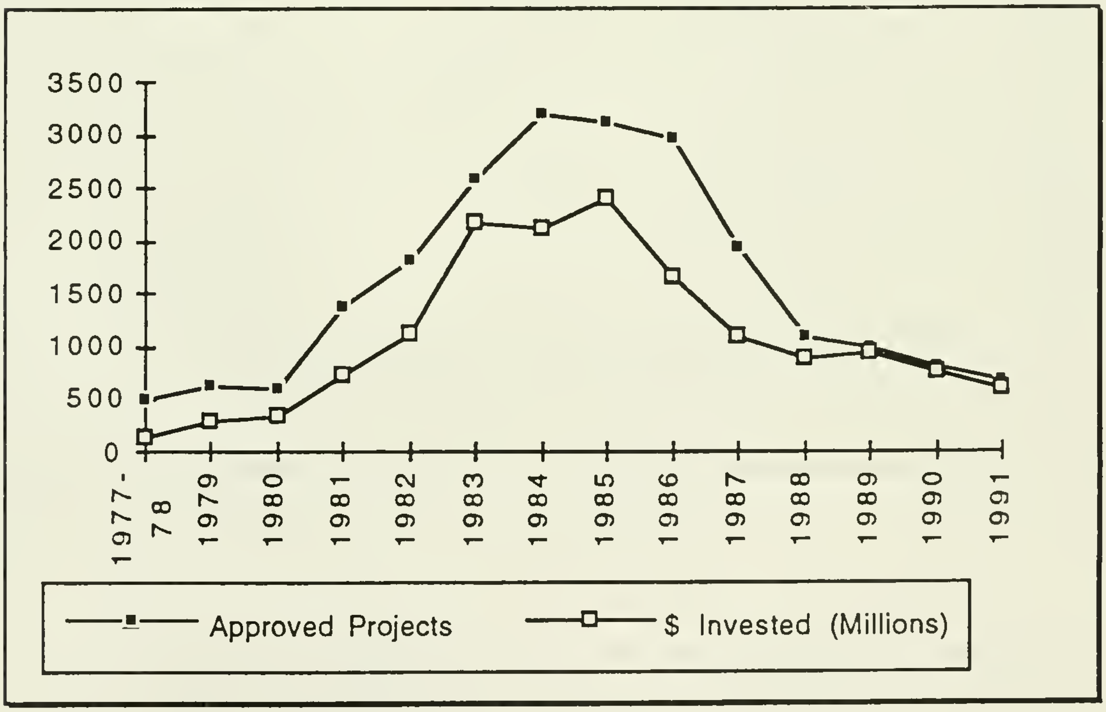
I. INTRODUCTION:

A. Problem Statement

For the past 16 years, the U.S. Congress has officially acknowledged the cultural importance of the historic environment through its creation of tax incentives designed to promote investment in the rehabilitation of historic structures. Since their inception, historic rehabilitation tax incentives have resulted in the investment of over $15 billion in the rehabilitation of nearly 24,000 building projects. The level of this activity has not been stable however. As the following graph indicates, historic rehabilitation activity has fluctuated dramatically, both in terms of dollars and number of projects undertaken.

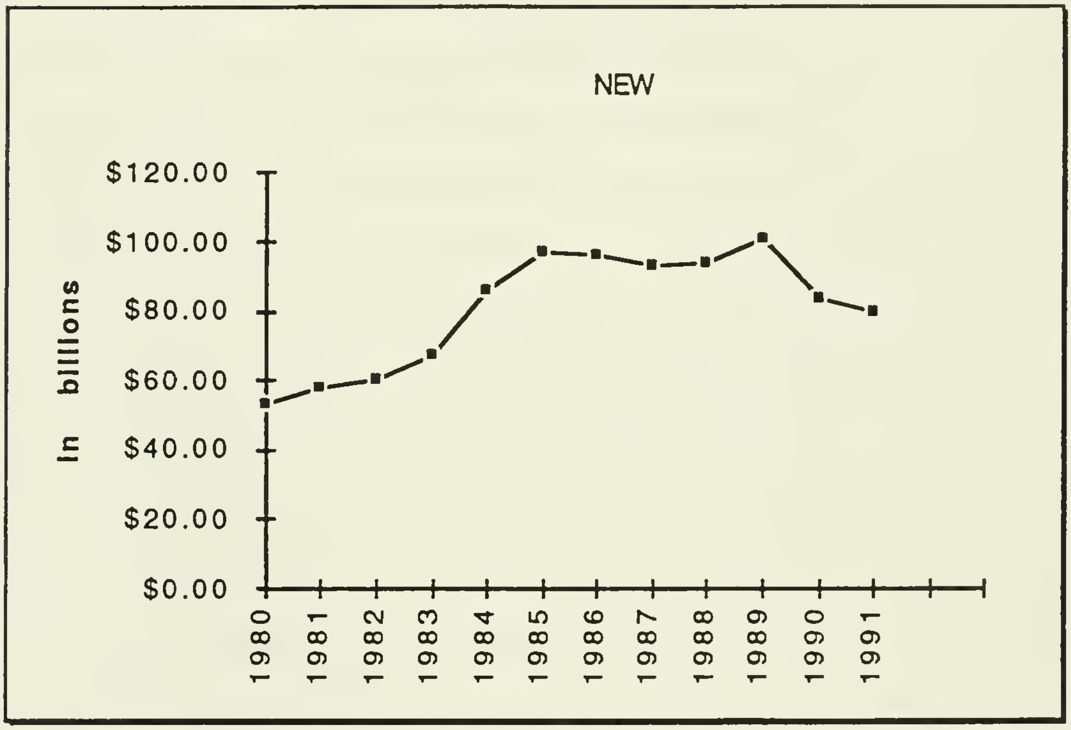


Source: *U.S. Department of the Interior: Fiscal Year 1991 Analysis*

This data indicates that the vast majority of these projects was completed during the period between 1981 and 1987. The unabated decline in activity since 1985 has left many in the preservation community asking why such a successful and socially responsible investment

vehicle has lost its appeal with investors.

To an extent, the decline in historic rehabilitation activity is just a sign of the slowdown in the overall level of construction activity that has also occurred during this period. The following chart represent the level of construction activity in small to medium sized residential and commercial projects.



Source: *Urban Land Institute Development Trends 1991*

This data does indicate a slowdown in construction activity, but nowhere near the percentage magnitude affecting historic rehabilitation.

It is suggested that the decline in both new and rehabilitation construction is a direct result of the changes instituted by the Tax Reform Act of 1986 (TRA86). As a result of TRA86, "overnight, real estate investments became uneconomic. Investors were forced to dump

their stakes, and in the sinking market hurt the lenders that had financed the deals. As the financial system's weakest link, the savings and loans were the first big casualty."[Roberts.18]

However, it is just as likely that the TRA86 simply expedited the inevitable. In fact, it is suggested that the tax incentives for real estate development (historic rehabilitation incentives included) allowed developers to undertake projects simply because of their tax benefits, and not because those projects made economic sense. As a result, developers overbuilt to a level that the market could not support, hastening the downturn in construction activity. This situation has led some to conclude that "changing demographics, slow growth prospects for the economy, and the overbuilt [real estate] situation all suggest that the move out of this current slump will be a slow and a gradual one."[Roberts.18] Therefore, investors who gambled on buildings with favorable after tax investment returns, but little in the way of solid economic credentials, found themselves losing all their equity value. Tax reform or not, this status may not have been avoidable. With this background in mind, it would be prudent for any investor, and particularly for investors in historic rehabilitations, to make their investment decision based on sound economic projections, independent of tax incentives.

This warning aside, it cannot be ignored that tax incentives have played a great part in attracting investment capital to historic rehabilitation, and that TRA86 had a significant impact upon historic preservation. This issue has implications on a level beyond the fate of any individual building. Preservation tax incentives are, above all, an alternative approach to urban development. During the post-war period, city planners employed a strategy of "urban renewal" in an attempt to clean up blighted urban areas. Urban renewal made Federal government funds available for the demolition of vast inner-city areas throughout

the United States, and for the construction of "magnet projects" designed to stimulate economic activity. Too often however, these projects did little more than to eliminate an area's cultural and economic activity, without providing a suitable replacement.

In contrast, downtown revitalization strives to recycle declining urban areas by focusing investment on infill development and building rehabilitation. Instead of employing public bond issues to fund capital intensive projects, Federal, State and local governments have enacted tax incentives programs intended to focus investment capital to targeted areas.

While the preservation tax incentives are not geographically focused per say, they have a great impact on older urban areas; these areas typically contain the vast majority of older and historic structures. Therefore, the impact of the decline in investment in historically certified rehabilitations has been felt most strongly in precisely the areas where that investment is needed the most, in our nation's inner cities.

In addition, preservation tax incentives provide an investor with an investment vehicle to correspond with his conscience. Historic rehabilitation, as a socially conscious investment vehicle, diverts investment that might otherwise head for suburbanization of the countryside, nuclear arms production, towards community development, as well as small business and housing creation.

In response to the TRA86 members of Congress have introduced the Community Revitalization Tax Act (CRTA).

B. Objectives of the Study

The purpose of this study is to analyze and evaluate the Community Revitalization Tax Act in terms of its ability to renew investment in historic rehabilitation. This analysis will conclude with a set of recommendations for amendments to the CRTA.

To this end, it will be necessary to review the ITC in its current and past forms in order to determine, on a qualitative basis, the features that make historic rehabilitation an attractive investment alternative. This goal will be achieved by building a financial model which can test a rehabilitation in terms of its financial performance for different investor types under different tax law assumptions. This model will be developed upon a hypothetical rehabilitation case study--10 North Third Street, Philadelphia.

It is hoped that this analytical approach will serve as a persuasive tool for evaluating the effects of different tax incentive provisions upon taxpayers. This approach will be useful in comparing alternative incentives in order to recommend a bundle of incentives for investment in historic buildings.

II. REVIEW OF PRESERVATION TAX INCENTIVES

A. The Historic Rehabilitation Tax Credit

The investment tax credit provides a reduction of Federal tax liability to qualified investors who fund certain categories of investments deemed by the Federal government as socially beneficial such as pollution control, energy development, research and development, and historic rehabilitation. The investment tax credit as it applies to historic rehabilitation investments has evolved to its present form over the past 15 years. The use of Federal tax policy to channel investment to historic rehabilitation is referred to as the Historic Rehabilitation Tax Credit (HRTC). It began with the passage of the Tax Reform Act of 1976 and has been continuously modified ever since.

Tax incentives for historic rehabilitation are designed to reduce the tax liability (and therefore the costs) associated with qualified projects in proportion to the level of an individual's investment. This is necessary, the reasoning goes, in order to offset the relatively high costs associated with rehabilitating older buildings, as compared with the costs of constructing new ones. The higher costs associated with the rehabilitation of older structures stem from the higher level of unknown contingent costs typically associated with such projects. Older building projects entail any number of structural, material, legal and regulatory complications that may develop over the course of construction. New construction projects are much more homogeneous, and represent far fewer potential costly complications.

Since costs associated with new construction projects can be forecasted more accurately, they represent a lower level of risk for a given level of investment and are therefore more attractive investments. Rehabilitation projects represent a higher degree of risk to

investors, without an equally high level of reward. Tax incentives help to make otherwise marginal projects attractive to potential investors by increasing the investment rewards associated with rehabilitation. In return for this reward, the government requires the investor to conform to certain rehabilitation standards laid out by Department of the Interior. These standards are designed to assure that rehabilitation is undertaken in a manner that maintains the features that endow a building with its historic significance.

B. The National Historic Preservation Act of 1966

On October 15, 1966, the United States Congress passed the National Historic Preservation Act (NHPA66)(PL89-665) in order to establish the first national program for the preservation of historic properties. This Act recognized:

> (a) that the spirit and direction of the Nation are founded upon and reflected in its historic past;
>
> (b) that the historic and cultural foundations of the Nation should be preserved as a living part of our community life and development in order to give a sense of orientation to the American people;
>
> (c) that...the present governmental and non-governmental historic preservation programs and activities are inadequate to insure future generations a genuine opportunity to appreciate and enjoy the rich heritage of our Nation; and
>
> (d) that...it is...necessary and appropriate for the Federal Government to accelerate its historic preservation programs and activities...[80 Stat 915]

Section 101 of the NHPA66 authorizes the Secretary of the Interior "to expand and maintain a national register of districts, sites, buildings, structures, and objects significant in American history, architecture, archeology, and culture, hereinafter referred to as the

National Register..."[80 Stat 915]

The NHPA66 also gave the Secretary full discretion in determining the requirements that would need to be met for any historic preservation projects to receive Federal funds. This Act effectively set the stage for the Federal government to support historic preservation activities. For the ten years immediately following the passage of the NHPA66, Federal support was limited to specific grant-in-aid administered by the Secretary of the Interior, through the National Park Service, a branch of the Department of the Interior. Since 1976, the Secretary has also administered the Historic Rehabilitation Tax Credit program.

National Register Listing

In order for a building to be considered eligible for any Federal historic preservation funds or benefits, it must first either be individually listed on the National Register, or must be listed as a contributing member of a National Register Historic District. For a building to be nominated to the National Register, someone (can be the building's owner, but does not have to be; building's owner can object to the nomination by someone else) must submit a nomination form (EXHIBIT B) to his State Historic Preservation Officer. Pending review by a state review board, the nomination is passed on to the National Parks Service for its review. Both of these entities employ the following Criteria for Evaluation in making their nomination decisions:

> The quality of significance in American History, architecture, archaeology, engineering, and culture is present in districts, sites, buildings, structures, and objects that possess integrity of location, design, setting, materials, workmanship, feeling, and association, and
>
> (a) that are associated with events that have made a significant contribution to the broad patterns of our history;

(b) that are associated with the lives of persons significant in our past; or

(c) that embody the distinctive characteristics of a type, period, or method of construction or that represent a significant and distinguishable entity whose components may lack individual distinction; or

(d) that have yielded, or may be likely to yield information important in prehistory or history. [36 CFR 60.4]

C. Evolution of the Tax Incentives for Rehabilitation

1. Pre-1976

The NHPA66 made the Federal Government a player in historic preservation, a field dominated by private, non-profit interests. As defined in the NHPA66, "'historic preservation' includes the protection, rehabilitation, restoration, and reconstruction of districts, sites, buildings, structures, and objects significant in American history, architecture, archeology, or culture."[80Stat 916] Obviously, many of these activities were also and could increasingly be engaged in by the private, for-profit sector. The primary tool used to influence for-profit developers became the Internal Revenue Code. By amending the Internal Revenue Code to provide developers with tax breaks for investing in targeted projects, the Federal Government created a financial incentive for targeted activities.

However, prior to 1976, the government actually provided for-profit developers with incentives for demolition of buildings by allowing income tax deductions for demolition expenses and demolition related business losses. "It provided a further discouragement by requiring that any new building...be depreciated by the straight line method for its life."[Westphal.14] This resulted in a bias in the tax code against the for-profit

rehabilitation of structures. It was not until the Bicentennial celebrations approached in 1976 until the Congress decided to employ the Tax Code to influence for-profit development in favor of historic rehabilitation.

2. Tax Reform Act of 1976

The Tax Reform Act of 1976 (TRA76) (P.L. 94-455) was enacted on October 4, 1976 and became effective as of June 30, 1976, and created the first class of tax incentives that would place rehabilitation on a more equal footing with new construction.. Among other measures, the Section 280B of the Act disallowed the deduction for demolition and "any losses sustained on account of such demolitions."[90 Stat 1918]

Section 2124 of TRA76 specifically provided "Tax Incentives to Encourage the Preservation of Historic Structures." Under this Act, Certified Historic Structures (i.e. those buildings listed on the National Register or listed as contributing to a National Register Historic District) would be eligible for a rapid depreciation deduction on its adjusted basis (building value less land value), and a rapid 60-month amortization of the amortizable basis.

> Amortizable Basis. -- The term 'amortizable basis' means the portion of the basis attributable to amounts expended in connection with certified rehabilitation.
>
> Certified Rehabilitation. -- The 'certified rehabilitation' means any rehabilitation of a certified historic structure which the Secretary of the Interior has certified to the Secretary as being consistent with certified rehabilitation.[90 Stat 1917]

Therefore, in order for a building to qualify for the 60-month amortization of its

rehabilitation expenditures, the rehabilitation needed to be "certified" by the Secretary of the Interior. Certification of the rehabilitation entails complying with the Secretary of the Interior's Standards for Rehabilitation. These standards as established in 1976 are as follows:

1. Every reasonable effort will be made to provide compatible use for a property which requires minimal alteration of the building, structure, or site and its environment, or to use a property for its originally intended purpose.

2. The distinguishing original qualities or character of a building, structure, or site and its environment shall not be destroyed. The removal or alteration of any historic material or distinctive architectural material shall be avoided when possible.

3. All buildings, structures, and sites shall be recognized as products of their own time. Alterations that have no historical basis and which seek to create an earlier appearance shall be discouraged.

4. Changes which may have taken place in the course of time are evidence of the history and development of a building, structure or site and its environment. These changes may have acquired significance in their own right, and this significance shall be recognized and respected.

5. Distinctive stylistic features or examples of skilled craftsmanship which characterize a building, structure, or site shall be treated with sensitivity.

6. Deteriorated architectural features shall be repaired rather than replaced, wherever possible. In the event replacement is necessary, the new material should match the material being replaced in composition, design, color, texture, and other visual qualities. Repair or replacement of missing architectural features should be based on accurate duplications of features, substantiated by historical, physical or pictoral evidence rather than on conjectural designs or the availability of different architectural features from other buildings or structures.

7. The surface cleaning of structures shall be undertaken with the gentlest means possible. Sandblasting or other

cleaning methods that will damage the historic building materials shall not be undertaken.

8. Every reasonable effort shall be made to protect and preserve archeological resources affected by, or adjacent to any project.

9. Contemporary design for alterations or additions to existing properties shall not be discouraged when such alterations or additions do not destroy significant historical architectural or cultural material, and such design is compatible with the size, scale color, material, and character of the property, neighborhood or environment.

10. Wherever possible, new additions or alterations to structures shall be done in such a manner that if such alterations were to be removed in the future, the essential form and integrity of the structure would be unimpaired. [Secretary's Standards, 1976]

The Standards were revised in 1983 and 1990 but remain the same in substance and intent. They cover all planned work as reported in Part A of the rehabilitation certification application (EXHIBIT C) that an investor must file with his State Preservation Officer, and all work as it is actually executed, as is documented in Part B of the compliance forms. When the building is placed in service (and Part C form is filed) and Parks Service gives the final approval to the project, the investor is free to claim his tax credit on his income tax form. These standards are guidelines, and therefore subject to interpretation by the Secretary of the Interior and his agents.

A certified rehabilitation also needed to meet the "substantially rehabilitated" test. The Act defines this test as follows:

> Substantially Rehabilitated Property. -- ...the term 'substantially rehabilitated historic property' means any

> certified historic structure...with respect to which the additions to capital account for any certified rehabilitation...during the 24-month period ending the last day of any taxable year, reduced by any amounts allowed or allowable as depreciation or amortization with respect thereto, exceeds the greater of --
>
> (a) the adjusted basis of such property, or
>
> (b) $5,0000.[80 Stat 1919]

These incentives allowed investors to reduce the amount of their taxable income by their pro rata share of their rehabilitation expenditures over a 60 month (5 year) period.

Subsequent tax acts are amendments to this Act and only address themselves to changes in previously enacted provisions. As such, items such as the Secretary's Standards and the "substantially rehabilitated" test do not change significantly.

3. The Revenue Act of 1978

Passed into law on November 6. 1978, effective October 31, 1978, the Revenue Act of 1978 (RA78)(PL 95-600) created another historic rehabilitation incentive option, the Historic Rehabilitation Tax Credits. Section 311 of the Act created a permanent dollar for dollar tax credit for 10% of the certified rehabilitation expenditures. This credit was limited to 90% of the investing entities annual tax liability. Investors could only claim the credit if they elected to forgo the 60-month rapid amortization of rehabilitation expenditures and rapid depreciation of the building's adjusted basis. Section 315 of this act further stipulated that only "qualified rehabilitation expenditures" were eligible for the rehabilitation tax incentives.

Qualified Rehabilitated Building Defined. --
In General. -- The term 'qualified rehabilitated building' means any building (and its structural components)
(i) which has been rehabilitated,
(ii) which was placed in service before the beginning of the rehabilitation, and
(iii) 75% or more of the existing external walls of which are retained in place as external walls in the rehabilitation process.[92 Stat 2828]

This measure was designed to ensure that certain "historic" architectural features would be maintained in the process of a building's rehabilitation. The Act further stipulated that all improvements must have a useful life of at least 5 years. It also stated that buildings could only qualify for the incentives if they had not undergone rehabilitation in the past 20 years.

4. The Economic Recovery Tax Act of 1981

Enacted on August 31, 1981, the Economic Recovery Tax Act of 1981(ERTA81) (PL 97-34) became effective on December 31, 1981. ERTA81 was instituted "to amend the Internal Revenue Code of 1954 to encourage economic growth through reduction of the tax rates for individual taxpayers, acceleration of capital cost recovery of investment capital in plant, equipment, and real property, and incentives for savings, and for other purposes." [95 Stat 172] The goal of the ERTA81 was to stimulate economic growth through tax cuts and investment tax incentives. While the tax cuts by themselves would have made tax motivated investments less desirable (since lower tax rates mean less valuable deductions) the increase in the level of tax credits more than compensated for this.

ERTA81 yielded many benefits to investors in historic rehabilitation. First, Section 211 of the Act modifies the tax credit to reflect the accelerated cost recovery provision introduced in Section 201. Under this provision, the rapid depreciation rule was replaced by a 15-year depreciable life, a deduction that allowed building investors to claim depreciation

deductions on the adjusted basis of their building's value earlier during the life of the investment.

Section 211 of the Act replaced the 60-month amortization of qualified rehabilitation expenditures with a three-tiered tax credit. According to this provision, qualified rehabilitation expenditures with respect to a 30 to 40 year old uncertified structure would be eligible for a 15% dollar for dollar credit. An uncertified structure of over 40 years in age would be eligible for a 20% credit of its qualified rehabilitation expenditures. A certified historic structure was now eligible for a 25% credit of its qualified rehabilitation expenditures.

In order for rehabilitation expenditures to be qualified for the credit, they now had to be performed on a building to which no rehabilitation work has been undertaken in over 30 years. In addition , the Act further defined what expenditures would qualify for the tax credit. The definition of a 'qualified rehabilitated building' from the RA78 remained in place. However, certain rehabilitation expenditures could be disallowed as not qualifying, though the building rehabilitation could qualify; these expenditures included:

> The term 'qualified rehabilitation expenditure' does not include --
>
> "(i) Accelerated methods of depreciation may not be used. -- Any expenditure with respect to which an election has not been made...to use straight-line method of depreciation.
>
> "(ii) Cost of acquisition. -- The cost of acquiring any building or interest therein.
>
> "(iii) Enlargements. -- Any expenditure attributable to the enlargement of an existing building.
>
> "(iv) Certified Historic Structure, Etc. -- ...[further

clarification of definition].

"(v) Expenditures of lessee.--Any expenditure of a lessee of a building if, on the date of rehabilitation is completed, the remaining term of the lease (determined without regard to any renewal periods) is less than 15 years. "[95 Stat 237-8]

Finally, Section 214 of the Act allowed the credit to be claimed for rehabilitated buildings that were leased to tax-exempt organizations or to governments, a provision that allowed these non-taxed entities to benefit from the tax credit through sale-leaseback arrangements with private, for-profit developers. The developer could claim the credit and pass the benefits through to the non-profit, and subsequently (after a mandatory 5-year holding period) sell the building back to the non-profit.

This Act made the historic rehabilitation tax incentives much more valuable to the private, for-profit sector as well as to the government and not-for-profit sectors of the economy.

5. Tax Equity and Fiscal Responsibility Act of 1982

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA82) (PL 97-248) was enacted on September 3, 1982 and was the first act to curtail the benefits of the historic rehabilitation tax incentives. Section 205 of the Act stipulated that a certified historic property's depreciable basis would be reduced by 50% of the tax credit claimed, effective for properties placed in service after January 1, 1986 (if the rehabilitation for that property was contracted for between December 31, 1980 and July 1, 1982).

In addition, the Act limited the investment credit that could be claimed in any given year to 85% of an entity's total tax liability as exceeded $25,000. This was a reduction from the previous 90% rule.

6. Tax Reform Act of 1984

The Tax Reform Act of 1984(TRA84) (PL 98-369) further diminished the benefits of the historic rehabilitation tax incentives. Section 118 of the Act increased the minimum straight-line depreciable period from 15 to 18 years.

The Act also created an alternative test to the 75% exterior wall retention rule for the definition of a qualified rehabilitated structure. It stipulates as follows:

> "(i) 50 percent or more of the existing external walls of the building are retained in place as external walls,
> "(ii) 75 percent or more of the existing external walls of such building are retained in place as internal or external walls, and
> "(iii) 75 percent or more of the internal structural framework of such building is retained in place." [98 Stat 1044]

Most importantly, Section 31 denied the tax incentives for property leased to governments and other tax-exempt entities. Sale-leaseback arrangements were specifically excluded from eligibility and this effectively eliminated non-taxed entities from indirectly or directly benefiting from the HRTC.

7. The Tax Reform Act of 1986

The Tax Reform Act of 1986 (TRA86) (PL 99-514), enacted on October 22, 1986 "to reform the internal revenue laws of the United States," [100 Stat 2085] retained the historic rehabilitation tax incentives, while dealing them a severe blow. The TRA86 reduced the top individual tax rate from 50% to 31%, and for corporations from 46% to 34%, thereby reducing the relative attractiveness of tax shelter investments overall.

Section 251 of the Act modified the HRTC by replacing the previous three-tiered system with a two-tiered system as follows:

> "(i) 10 percent in the case of qualified rehabilitation expenditures with respect to a qualified rehabilitated building other than a certified historic structure, and
> "(ii) 20 percent in the case of such expenditure with respect to a certified historic structure...[100 Stat 2183]

The definition of a qualified rehabilitation expenditure was amended to mean any amount on qualified rehabilitation expenditures for property that is:

> "(I) non-residential real property,
> "(II) residential rental property,
> "(III) real property which has a class life of more than 12.5 years, or
> "(IV) an addition or improvement to property or housing described in subclause (I), (II), or (III), and "(ii) in connection with the rehabilitation of a qualified rehabilitation structure. [100 Stat 2185]

The Act provided that a straight-line method of depreciation be used, increasing the depreciable life to 27.5 years for residential property and 31.5 years for non-residential property.

The Act allowed limited partners to use the credit against active income, but they could only use depreciation or other losses to offset tax on passive income. This eliminated a taxpayer's ability to claim business loss deductions directly against his ordinary or "active" income. Such losses could only be claimed against the portion of his income referred to as "passive income" (includes rental income from real estate, equipment, and property

leasing). Though not directly aimed at the HRTC, this provision of TRA86 had a great impact on investors in historic rehabilitation, projects which often began operation with pre-tax income losses.

The Act also limited the amount of credit or loss deduction that an individual taxpayer could claim against his active income (includes salary, business, professional, and portfolio income) to $25,000, or at the top 31% tax rate, a $7,750 dollar for dollar credit against tax liability. The $25,000 limit applied to all of an investor's active and passive activities in aggregate, and not on a project-by-project basis. This placed a very low potential upper bound on an individual taxpayer's credits.

Finally, the Act initiated income ceilings for determining investors' eligibility for claiming the credit.

> •For investors who actively participate in a project (i.e. general partners) eligibility for use of credit and losses against active income begins phasing out at an annual income of $100,000. No credit or losses at all may be used by such investors with active incomes above $150,000.
>
> •For investors who do not actively participate in a project (and for all limited partners), eligibility for use of credit begins phasing out at an annual income of $200,000. No credit at all may be used by limited partners with active incomes above $250,000.[Higgins.45]

The Act makes the following added provisions relating to an investors legal status:

> •These limitations apply to individual estate, trusts, and personal service corporations.

•C corporations that are not closely held and exempt from the active income limitations may use the credits and losses against any amount of active or passive corporate income.

•Closely held C corporations may use credit and losses against any amount of active or passive income but not against any portfolio income.[Higgins.45]

With minor alterations, the changes included in the TRA86 remain in place to this day.

8. The Revenue Reconciliation Act of 1990

The Revenue Reconciliation Act of 1990 (RCCA90) (PL 101-508) created further rules regarding the expenditure process. The Act developed a distinction between self-rehabilitated building (one in which the tax payer is also the contractor) and a non-self-rehabilitated building (one in which the taxpayer and contractor are separate entities). Self-rehabilitated building classification allowed the taxpayer to charge his capital account for rehabilitation expenditures as they are incurred, even if they have not yet been paid for, while a non-self rehabilitated building classification called for expenditures to be charged only to the taxable year in which they were actually paid.

The Act further defined aspects of the rehabilitation process and established a 'normal rehabilitation period'. These changes did not have a significant material effect on the investment features of a rehabilitation, but helped the Internal Revenue service to follow up on rehabilitations that had claimed credits for compliance with the certification process.

9. Technical Correction Acts

The Technical Corrections Acts had little, if any impact upon the historic rehabilitation tax incentives. They typically confirmed definitions and effective dates and had no material

impact on the operation of the incentive program. These Acts include the Technical Corrections Act of 1979 (PL96-222), enacted on April 1, 1979, and the Technical Corrections Act of 1982 (PL97-448), enacted on January 12, 1983.

10. The Community Revitalization Tax Act

The Community Revitalization Tax Act (CRTA) [EXHIBIT D] began its life on February 2, 1989. Representatives Barbara Kennelly (D-CONN) and Richard Schultze (R-PA) introduced the bill (HR 796) in the U.S. House of Representatives. An identical bill (S.342) was introduced by Senators John Danforth (R-MO) and George Mitchell (D-Maine). This bill was introduced specifically with the intention of reversing some of the provisions of TRA86 that were perceived as most damaging to the operation of the rehabilitation tax incentives.

By mid-April of 1988, the Bill had gained solid support in the House of Representative, with 85 co-sponsors and 14 of 36 members of the House Ways and Means Committee in favor of it.[Preservation News. May, 1989] On June 13, 1989, the House Ways and Means Committee voted in favor of amending certain parts of the TRA86 to allow individual investors to claim the historic rehabilitation tax credit regardless of their income level.[Preservation News. July, 1989] Despite increased support among House members, and backing of the House proposal of amendment by the Senate Finance Committee, Congress closed fiscal 1989 without having acted on the bill, a situation that persists to the time of the writing of this paper.

As introduced, the Community Revitalization Tax Act proposes the following changes to the tax code. First, it restores the eligibility of passive investors with incomes over $200,000 to claim the preservation tax credits, without any income constraints whatsoever.

Second, it increases the maximum allowable credit an investor may claim to $65,000 (or a maximum of $20,150 at the top tax rate of 31%) from $25,000 (or a maximum of $7,750 at the top tax rate). Finally, it removes the passive loss limitations and makes passive losses deductible against active income.

III. ANALYSIS OF FEDERAL PRESERVATION TAX INCENTIVES

A. Rehabilitation Investment Financial Model

1. Description of the Model

The following financial model tests the financial performance of a theoretical case study, a building located on 10 North Third Street in Philadelphia, Pennsylvania, under different tax law versions. The building selected as the object of this case study was chosen because it is precisely the type of building toward which the preservation tax incentives have been most directed. The building is neither famous nor particularly distinctive. It is also relatively small and not expensive to acquire or restore. It is, however, an early example of vernacular architecture that survives in an area of Philadelphia, Old City, that has remained relatively intact. Over the past decade, Old City has been the site of numerous historic rehabilitations of similar structures. This rehabilitation activity has breathed a new vitality into this part of town, and spurred the growth of many privately owned businesses.

In order to build a case-based hypothetical financial model, it was necessary to develop a feasibility study for 10 North Third Street [EXHIBIT A]. This study describes the building's historic and physical features, proposes a new use, evaluates the market for space in Old City, and forecasts the building's revenues, expenses and income potential. This feasibility study indicates that his building cannot be rehabilitated for any new use without some form of economic subsidy. As the operating pro forma on the last page of the study indicates, after financing, the building loses money and yields a negative net present value as a result. The concept of net present value suggests that an investment's value today is based upon the value of its future cash flows (can be thought of as an income stream or profits from operating a business) discounted to reflect the opportunity cost of that money over time.

This economically marginal building best demonstrates the powerful revenue neutral (i.e. the cost of the tax credits to the U.S. Treasury are offset by the new tax revenues that an economically recycled asset will generate) impact that the preservation tax credit can have upon the urban environment. The combined analysis of the operating performance of the building, and the financial effects of different versions of the tax law will allow us to evaluate the effects of changes to the tax code upon a typical historic rehabilitation project. This analysis will allow us to gain insight into how investors might respond to the changes proposed under the Community Revitalization Tax Act.

The historic investment tax model consists of three parts. First, it consists of a list of driving assumptions behind the revenue, expense, financial, and tax projections under each tax law tested. Second, it includes the operating projections generated by the feasibility study, and third, it reports the after tax cash flows to investors. These after tax cash flows determine the actual return to investors and are therefore, highly influenced by the individual tax status of the investing entity. Tax incentives are more valuable to investors in higher tax brackets because higher income deductions offer correspondingly larger tax savings. As a result, it is necessary not only to evaluate the effects of different tax acts but to test those effects upon investors in different tax brackets.

Taxable entities differ primarily according to the rate at which the income of each is taxed, the ability of each to pass income through to another entity (a parent company or an individual), and the protection of each against liability. The following summary reviews the most relevant potential investor groups according to their tax status.

Individual Investors: Individual investors are subject to taxation on a given level of income at the following rates:

$12,501-$35,000	15%
$35,001-$65,000	23%
$65,001-$95,000	28%
$95,001-over	31%

An individual cannot pass through income to another entity and is not protected from liability of his own actions.

S-Corporations: All income earned by an S-corporation can be passed through to the individual owner(s) of that firm. The sum of the individual's income plus his investment income is taxed at individual rates. The S-corporation provides liability protection to the individual owner's contributed capital, and no more. Rules governing the formation of an S-Corp. limit the number of shareholders that may invest in the corporation.

General Partnership: Again, a general partnership provides that all income should pass through to individual owners. General partners are then taxed on this income is sum with their individual income at individual tax rates. All general partners share unlimited liability for any losses resulting from their investment.

Limited Partnerships: Like the general partnership the limited partnership also allows partnership income to be passed-through to individual investors and taxed at the individual's rate. However, two partner classes are created in such a partnership: the general and the limited partner. The general partner must be actively involved in the

management of the investment, and the limited partner must not have any involvement in the management of the investment. As such, the limited partner is a passive investor and is therefore entitled to liability protection limited to the amount of his investment. The general partner is not shielded from liability.

C-Corporations: Individuals own corporations by obtaining shares in that corporation. Before an individual can receive the income generated by a corporation in which they own a stake, the corporation must pay taxes on that income at the corporate rate of 34%. The leftover amount is then distributed to the shareholder as a dividend. Dividend income is also taxable on the individual level. This 'double taxation' phenomenon is an inevitable consequence of investing in corporate shares. In return for this double taxation, the corporate ownership structure protects large groups of shareholders from liability for losses exceeding the value of their investment. The income of a subsidiary corporation can be passed through to its parent company.

Not-for-Profit Corporations: The income of a not-for-profit corporation is not subject to taxation. Like the C-corporation, individual owners are not liable for losses resulting from the operation of a non-profit corporation. In order to form a non-profit corporation, one must show that the company's activities will fall within certain well defined boundaries deemed socially beneficial by the government. All surplus from activities must be retained by the corporation and cannot be distributed to owners.

2. Application of the Model

The model was applied under the conditions of the Economic Recovery Tax Act of 1981, the Tax Reform Act of 1984, the Tax Reform Act of 1986 and under the provisions of the Community Revitalization Tax Act in order to evaluate the reasons for the downturn in historic rehabilitation activity and to predict what changes to the tax code will result in growing levels of historic investment.

In order to facilitate easy comparison between tax laws, the model was tested on all tax rates relevant to all investors across all versions of the tax law. The model was applied to all the top tax rates introduced as part of each version of the tax code. In addition, the model was tested on the Clinton Administration's proposed tax rates for 1994. Therefore, the model was tested on the 1986-present, individual tax rates of 15%, 23%, 28%, 31%, and corporate tax rate of 34%, as well as the top 1981-1986 individual tax rate of 50%.

The model was also applied to the proposed top individual (income greater than $150,000) and corporate tax rate of 36%, and to the new surcharge tax rate (39.6% for individuals with an income of $250,000 or greater). Hypothetical investors, each with a 20% equity stake, were tested at each of these tax levels under each version of the tax law.

3. Results

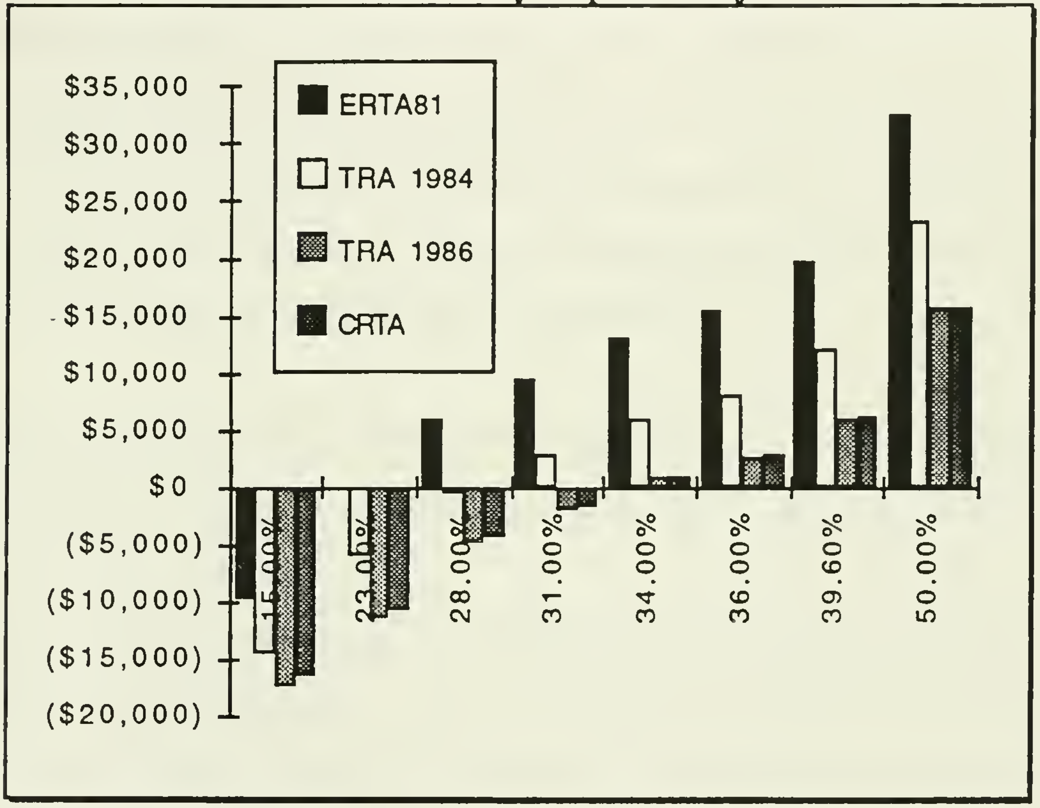
EXHIBIT A.5 contains the tax schedules of each of these entities under each of the major versions of the tax law for the 10 North Third Street rehabilitation project. Of course, only the relevant tax rates at the time the tax law was in effect apply. The following chart summarizes the results of testing the net present associated with each investor tax level. The top relevant individual tax rate for each law is shaded. The 34% rate is the current corporate rate in 1986-present and the 39.6% proposed is roughly equal to the average corporate tax rate for the 1981-1985 period. The corporate rates are more darkly shaded than the top personal tax rates.

NET PRESENT VALUE UNDER DIFFERENT TAX LAW SCENARIOS

	ERTA81	TRA 1984	TRA 1986	CRTA
15.00%	($9,819)	($14,566)	($17,461)	($16,461)
23.00%	($197)	($5,937)	($11,538)	($10,828)
28.00%	$5,816	($550)	($4,856)	($4,425)
31.00%	$9,424	$2,683	($2,003)	($1,681)
34.00%	$13,032	$5,915	$850	$850
36.00%	$15,437	$8,070	$2,562	$2,893
39.60%	$19,767	$11,948	$5,898	$6,186
50.00%	$32,375	$23,153	$15,699	$15,699

The following graph depicts the relationship between the tax rate and net present values of the investment in 10 North Third Street under the four tax law scenarios tested.

The CRTA Does Not Substantially Improve Project Net Present Values



B. Analysis

The tests executed on the historic investment tax model allow us to make the following observations about the Community Revitalization Tax Act:

CRTA will have no effect on the value of the HRTC.

TRA86 reduced the value of the tax credit of our case study from $65,313 or $13,063 for our 20% owner, to $52,250 or $10,450. Under the CRTA, the value of this credit would remain the same. Therefore, the decrease in financial return that resulted from the reduction of the value in the credit in TRA86 will not be reversed.

CRTA will increase annual credit amount that an investor can claim, reduce financing transaction costs and slightly increase financial returns to investors in most cases.

By increasing the passive activity credit limitations to an equivalent annual deduction from $25,000 to $65,000, CRTA increases the financial flow of the credit from a maximum of $7,750 credit a year to $20,150 for a individual in the 31% tax bracket. There will be no effect on a corporate investor which had no such limit imposed on it by the TRA86. CRTA also removes the passive activity rules that limited the amount of passive loss that an investor could claim against active income, as well as limiting the overall amount of deductions that an investor could claim on a passive investment.

The ability of the investor to claim his credits earlier than he would have been able to will increase the investment's performance. The ability of an investor to claim more of the credit in a given year also makes it possible for that investor to take a larger equity stake in the investment. This in turn allows the developer/syndicator to finance the project with fewer investors, thereby avoiding some measure of transaction costs.

CRTA will increase the pool of potential investors.

By removing the passive activity investor income limitation rules, the CRTA once again allows investors with an annual income exceeding $250,000 to benefit from the HRTC. These investors constitute 43% of the potential investors in historic rehabilitation according to the National Trust for Historic Preservation.

CRTA will have no effect on the value of depreciation deductions.

TRA86 reduced the depreciable life of a building from 18 to 27.5 years for residential property and to 31.5 years for commercial property. This reduced the financial return of a project by reducing the amount of depreciation deductions an investor could claim in a given year on a given property. This will not be changed under the CRTA.

CRTA does not significantly improve the investment performance of an historic rehabilitation project at the same level of equity investment.

At the top personal tax rate of 31%, the CRTA only slightly improves the NPV of our case study from –$2,003 to –$1,681, still an unacceptable level. At the corporate level, the CRTA will not enhance the value of an investment, since corporate investors are not subject to the passive loss and credit limitations that individual investors are.

It is significant to note that since a larger credit is allowable, an investor can increase his stake in an historic rehabilitation investment and thereby further enhance his investment returns by claiming the full amount of this greater credit earlier in the investment's life.

The proposed increase in the personal and corporate tax rate will do more to increase the attractiveness of historic rehabilitation investments than will the passage of the CRTA.

By increasing the top marginal tax bracket from 31% to 36% for individuals making over $150,000, the net present value of our case study increases from –$2,003 to $2,562 -- a substantial improvement and one that would signal to the investor to proceed with the project. Under the proposed tax rates, investors with an income of over $250,000 would pay a 10% tax surcharge, bumping their income tax rate to 39.6%. For these investors, their investment in the case study would yield an NPV of $5,898. However, both these enhanced incentives will go largely unrealized if individual investors making more than $200,000 continue to be prevented from claiming the tax credit.

IV. CONCLUSIONS

A. Summary of Thesis

The internal revenue tax code has a substantial influence on the after tax performance of investments. Historic rehabilitation real estate investments have benefited from favorable treatment by the code since 1976. The Tax Reform Act of 1986 severely curtailed the tax benefits available to historic rehabilitation investments. Since the passage of TRA86, rehabilitation activity has declined substantially, a condition that persists.

The Community Revitalization Tax Act has been proposed to restore some of the historic tax credit's benefits to investors. However, when tested on a case model that compares the financial benefits of this Act against others, it is clear that CRTA is does not adequately redress the shortcomings of TRA86. CRTA does increase the potential pool of investors who will benefit from the tax credits, but does not significantly increase the value nor the timing of tax benefits to investors to make rehabilitation investments any more attractive.

Even though more investors would qualify to benefit from these investments, it is not clear that many additional investors would view historic rehabilitation as an attractive investment vehicle. Under the Clinton Administration's proposed tax rates, both qualified individuals investors and corporations would find historic rehabilitation investments substantially more attractive. Even if the President's tax proposal is approved, it will be necessary to make some changes to the historic investment tax credit.

B. Future Research Needs

At present, it is very difficult to conclude just how large an investment tax credit ought to be. This difficulty is due to the fact that little evidence exists to provide evidence of the costs and benefits to the U.S. Treasury that result from the HRTC. Such evidence could

provide preservation advocates with support for a larger tax credit and more aggressive depreciable lives for historic buildings. A cost-benefit analysis of the HRTC needs to be executed in order to provide this evidence.

C. Policy Recommendations

It is clear that the historic rehabilitation tax credit in its current form can only be employed under a very restricted set of circumstances. Without an increase in the tax rates on individuals and corporations, it will be necessary to increase the value of the tax subsidy to the investment in combination with the provisions of the CRTA in order to make the historic investment tax credit a viable incentive once again. The Federal government should make the following changes in addition to CRTA.

Either:

Increase the Value of the Tax Credit

By raising the level of the tax credit to its former 25%, the value of the tax subsidy will increase to level that will provide more marginal projects with an acceptable level of return to investors.

-or-

Reduce the Depreciable Life on Historic Buildings to 15 Years

This measure will increase the amount of depreciation deduction that an investment will yield in a given year, thereby making the after tax return on that investment higher. It is important to remember however, that a depreciation claimed is subtracted from the depreciable value of the building, and upon sale of the building, results in a greater capital gain value than would otherwise be realized. Therefore increased depreciation deductions amount to greater long-term, interest-free loans. Capital gains are also taxed at a lower rate than regular income, so even if depreciation has to be paid back, it is paid back at a lower

rate than if it were paid out earlier at the regular income rate.

-or-

Do both.

Eliminate Rules Against "Not-for-Profit" Sale-Leasebacks

This change would allow "non-profit" companies and government entities to benefit from the tax credit by passing through their credit value to "for-profit" entities. At present, many non-profit corporations do not have the financial resources to rehabilitate the structures they own, yet they cannot pass-through the benefits of investment in their structures to "for profit" entities. If these entities could benefit from the tax credits, many of the buildings owned by "non-profit" corporations and government would be restored.

Raise Marginal Income Tax Rates

Any rise in the marginal tax rate will make tax shelter investments more valuable to investors. Therefore, any rate hike will make historic rehabilitation investments more attractive.

Lower Capital Gains Tax Rates

A lower capital gains tax rate makes a real estate investment more valuable when it comes time to sell the property. With a lower capital gains tax rate, an investor will pay out a lower share of his gain as tax, making the investment more valuable.

With these changes in place, historic rehabilitation investments will become much more attractive to many more investors.

If Clinton Tax Rate Proposal Passes: Remove the Income Cap on Individual Investors

If the Clinton Administration's new tax rates are instituted, the historic rehabilitation investments will become much more attractive to investors. The only change that will be indispensable will be the removal of the income cap on individual investors so that those who can benefit most from the tax credit will be able to use it.

EXHIBIT Ai: Case Study: The Third Street Jazz Building

1. Description of the Property:

A. Introduction

The property located at 10 North Third Street in Philadelphia, commonly referred to as The Third Street Jazz Building (after the record store that occupied the building until early 1991), is typical of the vast majority of buildings that have been the beneficiaries of the HRTC. It is neither well-known, nor is it a particularly fine example of an Eighteenth Century structure. It is however, a vernacular building that sets the tone, along with many other neighboring buildings, for one the United States' oldest and most intact historic neighborhoods, Old City. The Third Street Jazz Building is located within and listed as contributing member of the Old City Historic District. Therefore the building is automatically eligible for the HRTC program.

Since the Second World War, Old City has also been a neighborhood in a state of serious economic decline. This decline has been largely reversed over the past decade, to the point where it is now likely that Old City will be as vital an urban community as it ever was. The following description of the city, neighborhood and property that is the object of this case study is included in order to give the reader a better sense of the context in which the HRTC is designed to operate.

B. Philadelphia

Philadelphia, the county seat of Philadelphia County, Pennsylvania is located in between the Schuylkill and Delaware Rivers, approximately 80 miles southwest of New York City. Philadelphia's early economy was based on manufacturing, international trade and finance. Since the Great Depression and the subsequent migration of industry and workers to the

suburbs, the Sunbelt and offshore, Philadelphia has lost much of its manufacturing economic base. The loss of manufacturing jobs and income has been somewhat moderated by the growth of the service and government sectors of the local economy. In recent years this trend has stabilized and the current population of 4.8 million is greater than that of the city's 1970's population of 4.7 million. [Jackson-Cross.5] Total households have increased an estimated 8.2% over the course of the 1980's and the rate of growth in household incomes for residents of Philadelphia county has increased from 8% to 23% during the same period. [Jackson-Cross.5] This is attributed to the gentrification of many inner-city neighborhoods that has accompanied the shift from a manufacturing to a service-based economy.

Much of this stabilization may be attributed to efforts on the part of the city's government. Beginning in the late 1940's the City Redevelopment Authority began concentrating redevelopment efforts on Center City Philadelphia in an attempt to stem the tide of urban decay. Over the years, a mix of urban renewal and downtown revitalization efforts have helped to re-establish Center City Philadelphia as a retail, residential, and office center, including the creation of Independence National Park, the revitalization of Society Hill, the establishment of several historic districts, the development of the Gallery Shopping Mall on East Market Street, the construction of Penn's Landing and most recently the development of the Philadelphia Convention Center. These redevelopment efforts have often included strategies designed to take advantage of the City's many historic resources (though, many have not). Developers have constructed or rehabilitated thousands of structures in order to accommodate the white collar work force that has become increasingly attracted to the rejuvenated downtown neighborhoods.

C. Old City

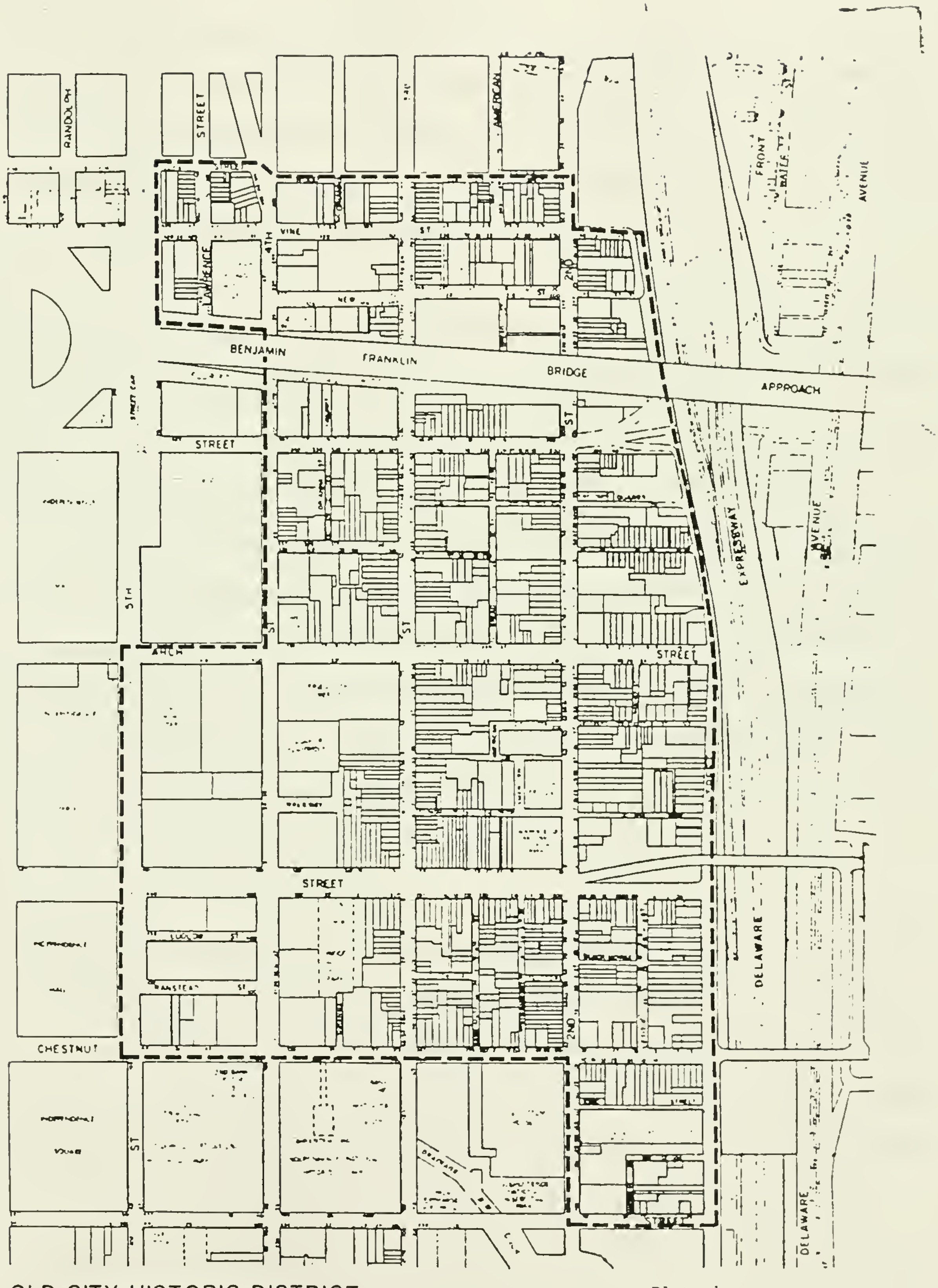
Often characterized as a city of neighborhoods, Philadelphia defies broad generalizations. According to The American Appraisal of Real Estate, 8th Edition, published by the American Institute of Real Estate Appraisers:

> A neighborhood is an area that usually has distinguishing characteristics. A maybe a section of a community or an entire community. Neighborhood occupants would have observable commonality of interests.

Obviously, no group of inhabitants, buildings or business enterprises can possess identical features or attributes; therefore a neighborhood is relatively uniform. That is, a neighborhood exhibits a greater degree of commonality than a larger area of which it is a part. For instance, in some areas such as North Philadelphia, supply of space in every type of category far outstrips supply. Other areas such as parts of Northern Liberties are experiencing a small renaissance with a net influx of residents and businesses. It is with an eye on these micro-markets, the neighborhoods of Philadelphia, where opportunities exist for development.

Old City in the City of Philadelphia qualifies as a neighborhood since its residents and businesses have a distinct commonality of interests and attributes [Plate 1]. Located in the northeast sector of Center City, Old City is bounded on the east by I-95, Penn's Landing and the Delaware River beyond, on the South by Market Street and the Society Hill Historic District, on the west by Fifth street and Independence National Park and on the North by the Vine Street Expressway. In addition to the roadways just mentioned, the area is serviced by the Market Street Line of SEPTA's rapid transit system at the Second Street Station, which in turn provides direct transport to all the City's major railway stations.

Old City is a described as a national showcase of Victorian commercial architecture, with especially noteworthy ornate cast-iron facades. [Philadelphia City Planning Commission.2] Within these boundaries are found such significant landmarks such as Christ Church and Christ Church Cemetery, the Betsy Ross House, and Elfreth's Alley.



OLD CITY HISTORIC DISTRICT

Plate 1

D. Physical Description of the Building

Attached as EXHIBIT Aii is a set of measured drawings of the Third Street Jazz Building - 10 North 3rd Street - that were conducted in April of 1990. Refer to them when reading the following physical description. The building was inspected on February 15, 1990 and the notes that contributed to this description were collected at that time.

The property occupies a lot that measures 17 feet, 4.5 inches wide along the north side of Third Street and runs 65 feet, 3 inches deep. The building situated on this lot fills the entire footprint. The northernmost 10 feet of the building is a shed that was built onto the ground floor of this five story structure and encloses the access alley that once ran behind the building. This shed abuts against the walls of the neighboring buildings to the north, east and west. The building's basement level extends eastward, beyond the property line of the building, underneath the side walk several feet. The granite slab sidewalk in front of the building is supported by granite piers that are visible through the basement. A temporary woodframe wall, covered with insulation and plastic wrap has been erected in front of this opening in the basement along the front property line.

Exterior

The exterior structural walls are constructed almost entirely of unpainted red, clay brick, joined with a lime based mortar. The top three stories of the front facade are also of unpainted brick laid in an common bond pattern. The bricks used on the outermost width of the facade are smoother and sharper in finish than those used on the rest of the structure. This exterior width is not joined to the side walls and is separated by a vertical seam that is filled with mortar. The second story is composed of three groups of cast iron triple columns that are joined by cast iron arches. The southernmost doorway of the second floor has a lace-patterned cast iron balustrade fronting its lower third. The other two doorways

have a fire escape (which runs to the fourth floor windows with a landing on each level) installed vertically in front of them. The ground floor storefront is composed of steel beams and supports faced with plate glass windows extending inwards from the streetline. The foundation is made of uncut granite joined with lime mortar.

As on the facade, exposed brickwork is located on the northern elevation of the building, above the top of the ground floor to the roofline, and on the southern of the building, from the top of the third floor to the roof line. The first floor has three French windows. These windows are made of wood, open inward and have four lights of glass stacked on top of each other on each side of the double door (a total of eight lights). The second floor has three double-hung, wooden sash windows with four over four lights. The facade's third and fourth floor window openings are missing their windows and are boarded up. Each of the second, third and fourth floor windows have beaded lintels. The two northernmost windows on the second floor have a triangular carved ornament centered above their lintels, as do the southernmost windows of the second and third floors. The western elevation has no windows on the ground floor, four over four, double hung windows on the second floor and third floors and missing boarded-up windows on the fourth and fifth floors. The boarded windows on the top floor have broken open. The northern elevation abuts a building that appears identical to 10 North Third Street.

The brickwork on the building is in excellent condition and shows no evidence of cracking either between brick joints or through the bodies of any of the bricks themselves. All of the exposed brickwork has been discolored and displays a nearly black hue. Roughly 60% of the bricks on the southern elevation have been covered with a white film that runs from the southern portion of the roof, to the top of the third floor. In addition, several dozen of the uppermost bricks on the southern elevation are powdering and are acquiring a rounded

shape. Much of their mortar joints have vanished. The cast iron elements on the second floor are painted with a cobalt blue lead based paint and show no evidence of corrosion. The steel beam supporting the opening of the ground floor entrance vitrine is also painted with cobalt paint but has begun to corrode on its southernmost 10%. The ground floor structural elements are covered with a layer of paneling made of an undetermined material and the vitrine is made of wood, glass and steel. Some of the metal panels underneath the windows are rusting over 15% of their area. Much of the paneling is covered with advertising posters and cannot be inspected thoroughly. The French windows on the second floor are operating, although they are warped and allow air to enter building. All other windows on the building are either inoperable or missing. The lintels on the eastern elevations' windows are in excellent condition though 5 of the 9 second through fourth story windows appears to be missing their lintel ornaments.

The building's roof is flat and slightly pitched toward the west. A gutter collects the runoff and disposes of rainwater through an internal gutter that runs through the building's southern wall, into the basement and into the city sewer system. The roof is covered with tar and asphalt sheets . The southwest corner of the roof has opened up and appears to be caving in. The wooden structural beams can be seen through the roofing materials. This condition affects roughly 2% of the roof area. Elsewhere the roof appears to be holding firmly.

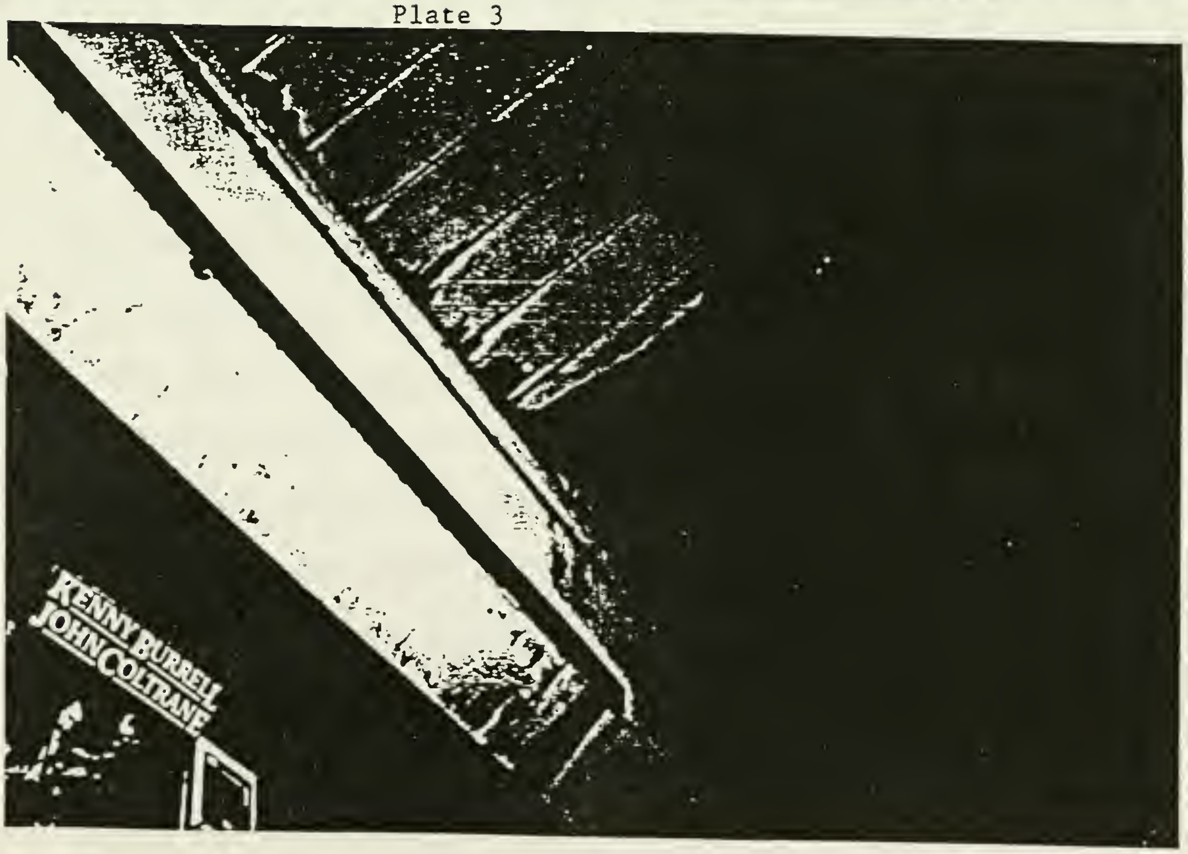
Interior

Ground Floor

The ground floor measures 16 feet wide by 56 feet long constituting a gross area of 896 square feet and is currently being used a sales floor for a record store. It is serviced by utilities, heated in winter and air conditioned in the summer. This area is unbroken by internal walls or supports, as are all the floors in the building. The storefront entrance extends inwards about 10 feet and opens into the main floor through a wood and glass door. The interior floors are made of roughly hewn yellow pine. The floor has evidence of two previous openings, possibly former trap doors. They are situated in the center rear of the floor and in the approximate center of the floor. The walls are plaster, and have been covered with a particle board that is used for storing records and displays. On the south wall to the rear of the floor is a three foot protrusion from the wall which contains a PVC pipe, probably a plumbing waste pipe, which imbedded in a space that has been carved into the wall cavity [Plate 2]. Much of the visible area of the protruding wall is puckered and flaking near the waste pipe. The ceiling is also plaster but has a suspension ceiling covering the forward forty feet of the ceiling area. A three foot wide stairway runs along the north wall to the basement. Another staircase runs along the southern wall from the eastern end of the building to the first floor. Just before this staircase lies an abandoned elevator shaft that is now used as a storage area. In the southwest corner of the floor lies an operating bathroom containing a toilet and a sink. The rear (west) ten feet of the building consists of a shed addition to the main floor (included in the measurements of the main floor). The shed has a plank wooden ceiling which has had portion removed and replaced with black plastic sheeting [Plate 3].

Plate 2

Plate 3



Basement

The basement has rubble stone walls and a concrete floor. Its ceiling is the exposed underside of the pine flooring of the ground floor. As mentioned above, the eastern end has a false woodframe wall to separate this floor from extending underneath the sidewalk. Otherwise this is an open floor area with a slight jog roughly corresponding to that of the ground floor.

First Floor

This floor measures 16.5 by 49 feet, or approximately 808 square feet. This floor is almost exactly like floors 2, 3 and 4 with the exception that is has been kept in service and that is has large French windows and slightly higher ceilings [Plate 4]. This floor has been in use as a storage area for records, which suggests that its floor can support a great deal of weight. It has been kept heated and air condition just as the ground floor has. In addition, it has a fluorescent suspended lighting system and its windows are in operating condition and all plaster work is in tact. A staircase to the second floor runs along the southern wall.

Second, Third and Fourth Floors

All these floors have roughly the same dimensions and layout as the first floor. However, unlike the first floor, these floors have been sealed off from the rest of the building and have not been in service (i.e. not used or heated) for a great deal of time [Plate 5]. Most windows on these floors have been boarded up. On the fourth floor, the boards have fallen away and have allowed pigeons to enter building. Over time, so many pigeons have entered and been trapped inside the building that a layer of pigeon droppings and skeletal remains of pigeons have accumulated to a depth of several inches across all of these floors. Despite this, these floors do not seem to have suffered any great damage. The only noteworthy problems include a crack in the plaster that run vertically along the northern

wall, ten feet in from the eastern wall from floors two through four. In addition, the fourth floor has been exposed to some rainfall where the roof has given way (roughly corresponding to the source of the white film on the exterior of the southern elevation. In addition, each of these floors has an opening where the elevator shaft runs.

Plate 5

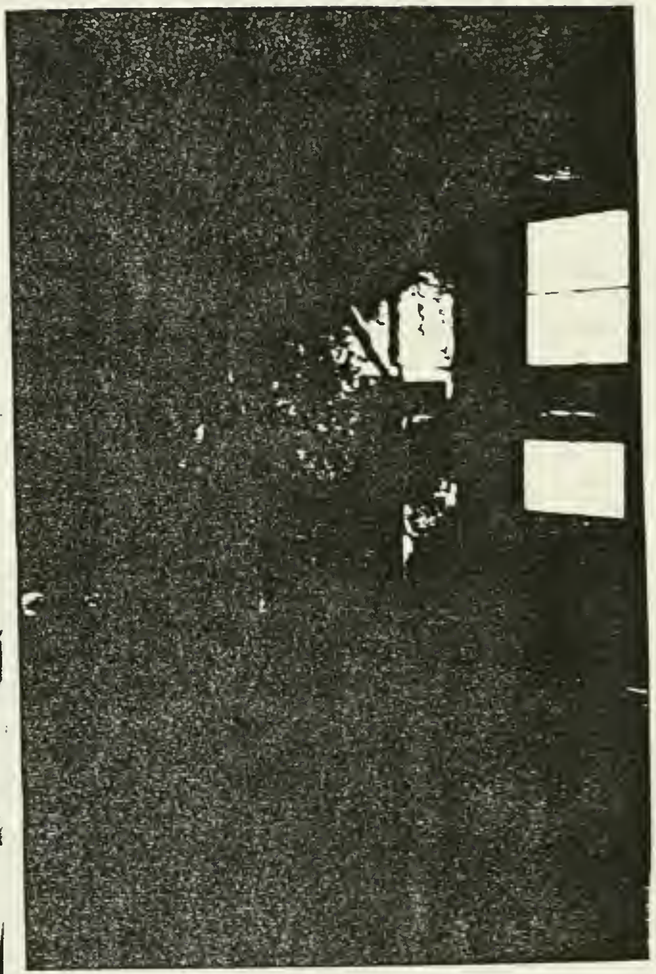


Plate 4

E. Historic Description

In order to determine what historical features we need to retain, as well as features we would like to restore, it is necessary to determine what the building known as 10 North Third Street may have looked like in its historical context. Though no photographic evidence of the building's historical appearance is available, a detailed account of the building's original appearance is available through an insurance survey which was conducted on January 30, 1857 (copy on location at Philadelphia Historical Commission filed in historic landmark files under "10 North 3rd Street"). It is the only known record of the building's 19th Century appearance. The survey reads:

> I have surveyed a brick store belonging to Sarah E. Cresson situated on the West side of Third Street North of and near Market Street No. 6. Being 17 feet, 6 inches front, by 60 feet deep, 53 feet of which is 5 stories high and 6 1/2 feet one story high 14 inch walls.
>
> The lower story is in one room the floor of 5//4 inch yellow pine, plain wash board around, 6 lights of thick glass in the floor 24x24 to give light to the basement, a stationary washstand with marble top and china basin and hydrant water. The roof of the one story part mainly of glass as follows, 9 lights of weigh plate glass 18 1/2 x 64 1/2 inches about 3/8 inches thick. Two pairs of folding sash doors front each 4 lights of glass 19 x 48, and 4 transom lights over them, and a show window which contains 3 lights of glass 36 1/2 x 52 1/2 inches with transom lights over it, outside shutters folding in iron boxes and covered by pilasters, 4 iron piers or boxes with enriched capitals and iron entablature with bracketed cornice and a console at each end, French plate glass in the show window and doors.
>
> The second story in one room the floor of 5/4 yellow pine plain wash boards and plain mouldings, three 18 light windows back the glass 10x 17, three pairs of folding sash doors front each 8 lights 20 1/2 x 30 with folding inside shutters hung to the same, two iron piers and 20 clustered columns with plain caps and iron entablature and bracketed cornice and a console at each end, one closet under the stairs.
>
> The third story in one room, the floor of 5/4 yellow pine plain wash boards and plain mouldings, a water closet partition off in the southwest corner in which is a stationary wash stand with marble top and china basin and hydrant

water and one four light window 10 x 12 hung with hinges, two 12 light window, back the glass 10 x 20, three twin windows front each 16 lights 8 x 21 hung with hinges.

The fourth story in one room, with floor and mouldings the same a s the 3rd story, plastered window planks and plank sills, three 12 light windows back the glass 10 x 20, three twin windows front each 16 lights 8 x 17.

The fifth story in one room with floor boards and window jambs the same as the fourth story, three light windows back the glass 10 x 20 and three 16 light twin windows front the glass 8 x 14, trap door in the roof and step ladder, a hoisting machine with hatchways and doors lieing in each floor and wall lined under the same, straight stairs leads from the lower story to the fifth story and stairs under them to the basement, the stairs to the first to the second story is finished with walnut rail and turned balusters and close string, also a wall rail of walnut (no balusters) the stairs from the second story to the fifth story enclosed with board partition painted and a panel door to each story.

The basement story in one room, the floor of 5/4 yellow pine, the wall and ceiling lined with narrow boards painted, a water closet enclosed, and a stationary washstand with marble top and china basin, one pair of folding sash doors front 12 lights 9 1/2 x 13 with slides and 4 wooden steps up to them, all the back windows are double hung and have outside shutters lined with sheet iron except the small window on the water closet 3 story, the front windows 2nd, 3rd, 4th and 5th stories have no outside shutters and the sashes are hung with hinges, the gas pipes plastered in throughout the building, moulded brick cornice front, battlement walls, and tin roof.

D. R. Knight, Surveyor

2. Market Study

This study is conducted for the purpose of understanding the demand characteristics of the Philadelphia retail and residential rental markets. Specifically, it will determine the rental and vacancy rates for buildings which can be viewed as comparable in their market orientation to 10 North 3rd Street. This study will narrow down the essential characteristics of the market in which the building operates, report the relevant data that pertains to specific buildings in this market, and determine whether this data deviates in any significant manner from the market data derived from market reports for the Philadelphia market in general.

A. Secondary Market Data

Residential

Secondary market data suggests that the Philadelphia residential market has grown at a rapid clip during the 1980's. [Jackson-Cross.6] In the Metropolitan Statistical Area, over 15,000 residential units were authorized annually for much of the decade. [Jackson-Cross.6] While the national recession has depressed the number of residential units coming to market, the stable demand for rental housing by young professionals and the elderly has caused historically low rental rates to continue increasing. Vacancy rates have been minimal, between 7% and 10 %. Rental rates have been rising at an average of 8% per annum. [ULI Development Trends.46] The average monthly rent for a 1-bedroom apartment is $670 and a 2-bedroom apartment rents for an average of $875. [ULI Development Trends.46] It is interesting to note that newly renovated apartments in Center City townhouses are asking rates as high as $1200 to $1400 for 1 - and 2-bedroom apartments. [ULI Development Trends.46]

Retail

Retail space has been leasing from $8-$15 per square foot annually. [Jackson-Cross.6] The glut in commercial space has caused vacancy rates to increase from a traditional figure of 10% to the current 16%. [ULI Development Trends.48] As several new office buildings with large retail area come on line within the next year, this figure is not expected to decline, especially as tenants in lower class spaces trade up to bargain priced, recently completed space. Rent increases have been flat during the past year and are expected to continue to be so while the market attempts to absorb the approximately 1.5 million square feet of empty downtown retail space. [ULI Development Trends.48]

Over the past 20 years, Old City has been experiencing a renaissance. Many buildings have been rehabilitated and been converted from light manufacturing or warehouse space to retail and residential apartment units. [Philadelphia City Planning Commission.2] This development activity has been spurred on by several factors including: the completion of the National Park, and Penn' Landing, developments (which have attracted tourists and shoppers to this area); the creation of the Federal investment tax credits for rehabilitation(which provide a financial investment for the rehabilitation historic structures or structures contributing to historic districts). Old City is thus likely to continue to develop into a desirable destination and residential neighborhood area within Philadelphia in the future. It is important to note that the weakening of the tax credits makes it unlikely that small scale, community revitalizing development will continue at anything close to pre-tax reform level. This will be discussed more fully in the financing section of this paper.

Old City is zoned for mixed commercial/residential use. Most unrenovated structures are still devoted entirely to use as job shops to the garment trade. Rehabilitated buildings are either entirely residential or mixed-use commercial/residential - retail storefronts on the

ground floor and residential apartments on upper floors. A small number of buildings remain either totally or partially abandoned. In order to test the figures supplied in the secondary market data, it will be useful to generate some primary data on rents and vacancy rates in the Old City neighborhood as a basis for comparison with the overall Philadelphia marketplace.

B. Primary Market Data

The attached market survey will concentrate exclusively on privately developed buildings which have undergone rehabilitation and conversion from strictly commercial to mixed commercial-residential use within the past 5 years. Since the available sample of comparable buildings is so small, no attempt will be made to apply advanced statistical decision models to the data. Vacancy ranges and average rents will suffice as the basis for comparison with and adjustment of the secondary data.

Survey Data

The following survey of properties was conducted over the telephone with agents of the respective building's managements during April of 1990 in order to arrive at an estimate of leasing rates for residential and commercial spaces with comparable features to those of 10 North 3rd Street. All buildings included in this survey conform with the characteristics outlined in the highest and best use portion of this study. They all are designated as contributing members of the Old City Historic District and are 19th Century commercial structures which have been converted to mixed commercial/residential useage over the past twenty years or so. Typically, the ground and basement levels have been converted to retail space while upper stories have been converted to one or two bedroom apartments.

Certain features affecting the marketability of units within these buildings have been noted

and may have an impact on the leasing rates (more/better features raising rents and fewer/worse features lowering rents). Such features include the age of the rehabilitation, quality of the rehabilitation (luxury v standard), and the presence of an elevator, a roof deck, fireplaces, whirlpools, loft style apartments, bi-level apartments and/or security systems. Due to limited a pool of buildings available for this study, it is not possible to establish a strict correlation between the presence or absence of a feature and it exact impact upon rents. They have been included simply as a guide to determine comparable qualities of various units and where 10 North Third Street may lie in the range of buildings' quality. The following abbreviations connote the features present in the buildings surveyed: LR = Luxury Rehab, E = Elevator, B= Bi-Level, F=Fireplace, D=Roofdeck, S=Security System.

Old City Market Survey

ADDRESS	CONTACT	FEATURES	RETAIL RENT	RETAIL SF	VAC RATE	1-BRM RENT	2-BRM RENT	VAC RATE
27 North 2nd Street	Paul Realtors (215) 735-2500	L, LR, E, B	$11.50	2,200	10%	$550	$750	15%
45 North 2nd Street	Rittenhouse R. E. (215) 545-6800	LR, E, S	$13.00	15,000	n/a	-	-	-
21 North 3rd Street	Jackson Cross (215) 561-8972	LR, B	$10.00	800	7%	$530	-	7%
30 North 3rd Street (Wistar Alley)	Shindler, Greenfield	LR, E, B, F, D, L	$10.00	1,800	15%	$675	$850	7%
38 North 3rd Street	I. W. Levin (215) 465-7400	B	-	-	-	-	$1,200	n/a
39 North 3rd Street	Bob Stern (215) 627-0681	LR	$12.00	1,000	20%	-	-	-
41 North 3rd Street	Hospicomm (215) 925-5158		$11.50	1,500	15%	-	$1,100	10%
47 North 3rd (Brass Works)	Dover Historic (215) 627-3480	LR, E, D, F	-	-	-	$725	$1,175	8%
126 North 3rd Street	Louis Orocofsky (215) 625-9722		$8.50	7,500	20%	-	-	-
147 North 3rd Street	JMH Realty (215) 829-9909		$8.67	900	10%	-	-	-
231 North 3rd (Wire Works)	Historic Landmarks (215) 351-1535	LR, E, D, F	-	-	-	$655	$1,225	n/a
246 Race	Old City Develop. (215) 425-8500	LR, S	$9.00	1,800		$625	-	
Rent Range			$8.50 -$13.00			$500-$725	$750 -$1225	
Rent Mean			$10.46			$626.67	$1,050.00	

C. Summary of Results

This survey indicates an overall vacancy rate range of 7%-15% among the established residential apartment units in the Old City district . The overall commercial storefront vacancy rate range is 10%-25% (buildings just being completed are not represented in this range as they would skew the vacancy outcomes). These vacancy rates falls within the limits of what is considered normal for a market that is experiencing slow to modest growth and support the conclusions reached in the ULI report.

Among the one-bedroom apartment units, the average monthly rental rate is $626, with a range of $500-$725. The survey of two bedroom apartments suggests and average monthly rental rate of $1050 and a range of $750-$1225. Very few three-bedroom rental units existed in the Old City area at the time of the survey.

Retail space in the Old City area averaged $10.46 per square foot per year and ranged from $8.00 to $12.50.

Property managers of the buildings surveyed indicated plans to raise rents by 0% to 10% over the coming year. Since many declined to release this information, a reliable average figure could not be determined. However it is safe to conclude that Old City rent increases will stay in line with those of the overall Philadelphia residential market figures.

At the time of this survey, the Old City area apartment market reflected a balance between supply and demand. The number of apartment units under construction in the Old City area does not threaten this balance. The retail market indicates a certain degree of softness, though not as great as that as might be encountered in the overall Philadelphia economy. Old City's unique status as a tourist and entertainment center helps to moderate the effects of the oversupply in downtown office and retail space.

3. Rehabilitation Plan

All financial projections are based on a development mix which reflects the building's current zoning classification as "C-2", mixed commercial/residential. As such, the ground and basement levels of the building will be devoted to retail commercial use, and levels one through four will be deveoted to residential purposes. Due to the narrow, long layout of the floor in the building, the best configuration for the residential space is as two bi-level two bedroom apartments. The retail space will be average in its amenity level while the duplex apartments will qualify as luxury space.

In order to simplify our analysis of the historic rehabilitation tax credits, we assume that the rehabilitation can be completed for $60 per square foot (a very low figure) or a total rehabilitation cost of $275,000. The total project is estimated to cost $395,000 or $85.83 per square foot.

4. Pro Forma Financials

This section of the paper forecasts the operating performance of the building once rehabilitation is completed. The expenses associated with operating this building are based on estimates provided by vendors of real estate property management services. The assumptions underlying the projections are detailed below

A. Pro Forma Assumptions

i. PROJECTIONS

•**Format:** Multi-year projections are made according to the standard format of 10 years from the day the building is put into service.

•**Escalation:** All projections will be made in terms of nominal dollars

ii. REVENUES:

Rents: Assuming that the usable square footage will not change substantially as a result of the design specifications demanded by the building code, units within the building should command the following rental rates.

•**Retail/2 Bedroom Mix:**

Unit 1, which is allocated for retail usage on the ground (896 gross SF) and basement (843.75 gross SF) levels, will lease for $10.46 per square foot. This corresponds to the average rent per square foot for surveyed retail space in the market survey since the space in 10 North Third is comparable in quality to that of the buildings surveyed. With 1346 usable SF on the ground and basement levels, this rate translates into an annual rent of $14,079. This space cannot be divided as the basement level only accessible through the ground floor.

Unit 2, the 1620 gross SF, 2-bedroom duplex on the first and second floors will rent for $1200 per month.

Unit 3, another 2-bedroom duplex occupying the fourth and fifth floors (and having roof rights and skylights) will rent for $1225 per month. Since these units are large and will be furnished with many quality features, they are assumed to rent at above the average rent for 2-bedroom units (near the top of the range for Old City but not at the top of the secondary data's range for Philadelphia in general).

•**Vacancy rates** for residential apartments are set at 7%, and 14% for commercial retail space. These figures are also based on the results of the market survey included in this paper.

iii. EXPENSES:

Fixed Expenses:

•**Real Estate Taxes:** In Philadelphia, rehabilitation projects qualify for a 5 year tax abatement which freezes the building in question's tax rate at its level prior to rehab for 5 years. Therefore the tax remains stable at its present rate of $1750 per year until 1996. At that time the building will be reappraised (.33 * market value) and taxed at a rate of 7.8%, or an estimated $8622 per annum (based on the market value at the time of reassessment of $335,000 - a figure arrived at by negotiation with property tax officials). Real estate is not normally reassessed over a ten year period unless it changes ownership during that period of time. Therefore no further tax adjustments need to be made for the rest of our projections.

•**Insurance:** According to a quote provided by Mather & Sons, Insurance Brokers, a $1,000,000 accident and fire policy will cost $9551 with annual

increases to account for inflation adjusted annually (for our purposes a 5% increase per year).

Variable Expenses: Numbers have been based upon typical residential/retail lease. Landlord is responsible for all operating expenses with the exception of electricical utility costs.

•**Management Fee:** Industry standard of 7% is charged.

•**Water and Sewage:** Estimate based on a quote provided by the Philadelphia Water Department.

•**Garbage Hauling:** Estimate based on quote provided by Ace Disposal Company for hauling 80 cubic yards of trash per month.

•**Reserve for Replacement**: Set-aside of 1-3% of gross revenues for future repairs and work to roof, floor coverings is an industry standard.

B. Financing

Acquisition Costs

We assume the building can be purchased for $115,000. In addition, it is estimated that closing costs will amount to another $5,000 for a total of $120,000.

Debt Financing

It is assumed that a loan covering 75% of the acquisition costs plus the total development costs can be secured at a fixed rate of 7.85% for a period of 30 years. Adjusted for bank loan fees and points, this loan will result in an amortization schedule with the following principal and interest payments.

Capitalization Rate

At the time of the writing of this paper, the March, 1990 Grant's Interest Rate Observer suggests a rate of 9.5% for real estate investments.

C. **Projections**

OPERATING SCHEDULE:	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gross Scheduled Income:											
Basement/Ground Floors	$14,079	$15,065	$15,066	$15,067	$15,068	$15,069	$15,898	$16,852	$17,947	$19,203	$20,643
Commercial Vacancy	$1,971	$2,109	$2,109	$2,109	$2,109	$2,110	$2,226	$2,359	$2,513	$2,688	$2,890
Commercial Total	$12,108	$12,956	$12,957	$12,957	$12,958	$12,959	$13,672	$14,492	$15,434	$16,515	$17,753
Second and Third Floors	$14,400	$15,408	$15,409	$15,410	$15,411	$15,412	$16,260	$16,261	$17,318	$18,530	$19,920
Fourth and Fifth Floors	$14,700	$15,729	$15,730	$15,731	$15,732	$15,733	$16,599	$16,600	$17,679	$18,916	$20,335
Residential Vacancy	$2,037	$2,180	$2,180	$2,180	$2,180	$2,180	$2,300	$2,300	$2,450	$2,671	$2,818
Residential Total	$27,063	$28,957	$28,959	$28,961	$28,963	$28,965	$30,558	$30,560	$32,547	$34,825	$37,437
Effective Gross Income	$39,171	$41,913	$41,916	$41,919	$41,922	$41,924	$44,230	$46,863	$47,981	$51,340	$55,190
Fixed Expenses:											
Real Estate Taxes	$1,750	$1,750	$1,750	$1,750	$1,750	$8,622	$8,622	$8,622	$8,622	$8,622	$8,622
Insurance	$9,551	$10,029	$10,530	$11,056	$11,609	$12,190	$12,799	$13,439	$14,111	$14,817	$15,558
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$11,301	$11,779	$12,280	$12,806	$13,359	$20,812	$21,421	$22,061	$22,733	$23,439	$24,180
Variable Expenses:											
Management Fee	$2,742	$2,934	$2,934	$2,934	$2,935	$2,935	$3,096	$3,154	$3,359	$3,594	$3,863
Electric	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT
Gas	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT
Repair and Maintenance	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT	TENANT
Water and Sewage	$850	$893	$937	$984	$1,033	$1,085	$1,139	$1,196	$1,256	$1,319	$1,385
Garbage Hauling	$6,240	$6,557	$6,880	$7,224	$7,585	$7,964	$8,362	$8,780	$9,219	$9,680	$10,164
Supplies	$500	$525	$551	$579	$608	$638	$670	$704	$739	$776	$814
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$10,332	$10,903	$11,302	$11,721	$12,160	$12,622	$13,267	$13,834	$14,573	$15,368	$16,227
Total Expenses	$21,633	$22,682	$23,582	$24,527	$25,520	$33,433	$34,689	$35,895	$37,306	$38,807	$40,406
Reserve for Replacements	$392	$419	$419	$419	$419	$419	$442	$451	$480	$513	$552
Total Expenses and Reserves	$22,025	$23,101	$24,001	$24,946	$25,939	$33,853	$35,131	$36,346	$37,786	$39,320	$40,958
Net Operating Income [EBIT]	$17,146	$18,812	$17,915	$16,972	$15,983	$8,072	$9,099	$8,707	$10,195	$12,019	$14,233
Debt Service	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)	($25,715)
Net Income	($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)

AMORTIZATION SCHEDULE

Term	30
Rate	7.85%
Loan Amount	$296,250.00

Month	Interest	Principal	Total	Year Total
1	($1,937.97)	($204.91)	($2,142.88)	
2	($1,936.63)	($206.25)	($2,142.88)	
3	($1,935.28)	($207.60)	($2,142.88)	
4	($1,933.92)	($208.96)	($2,142.88)	
5	($1,932.55)	($210.33)	($2,142.88)	
6	($1,931.18)	($211.70)	($2,142.88)	
7	($1,929.79)	($213.09)	($2,142.88)	
8	($1,928.40)	($214.48)	($2,142.88)	
9	($1,927.00)	($215.88)	($2,142.88)	
10	($1,925.58)	($217.30)	($2,142.88)	
11	($1,924.16)	($218.72)	($2,142.88)	
12	($1,922.73)	($220.15)	($2,142.88)	($25,714.56)
13	($1,921.29)	($221.59)	($2,142.88)	
14	($1,919.84)	($223.04)	($2,142.88)	
15	($1,918.38)	($224.50)	($2,142.88)	
16	($1,916.91)	($225.97)	($2,142.88)	
17	($1,915.44)	($227.44)	($2,142.88)	
18	($1,913.95)	($228.93)	($2,142.88)	
19	($1,912.45)	($230.43)	($2,142.88)	
20	($1,910.94)	($231.94)	($2,142.88)	
21	($1,909.43)	($233.45)	($2,142.88)	
22	($1,907.90)	($234.98)	($2,142.88)	
23	($1,906.36)	($236.52)	($2,142.88)	
24	($1,904.81)	($238.06)	($2,142.88)	($25,714.56)
25	($1,903.26)	($239.62)	($2,142.88)	
26	($1,901.69)	($241.19)	($2,142.88)	
27	($1,900.11)	($242.77)	($2,142.88)	
28	($1,898.52)	($244.36)	($2,142.88)	
29	($1,896.93)	($245.95)	($2,142.88)	
30	($1,895.32)	($247.56)	($2,142.88)	
31	($1,893.70)	($249.18)	($2,142.88)	
32	($1,892.07)	($250.81)	($2,142.88)	
33	($1,890.43)	($252.45)	($2,142.88)	
34	($1,888.77)	($254.10)	($2,142.88)	
35	($1,887.11)	($255.77)	($2,142.88)	
36	($1,885.44)	($257.44)	($2,142.88)	($25,714.56)
37	($1,883.76)	($259.12)	($2,142.88)	
38	($1,882.06)	($260.82)	($2,142.88)	
39	($1,880.35)	($262.53)	($2,142.88)	
40	($1,878.64)	($264.24)	($2,142.88)	
41	($1,876.91)	($265.97)	($2,142.88)	
42	($1,875.17)	($267.71)	($2,142.88)	
43	($1,873.42)	($269.46)	($2,142.88)	
44	($1,871.65)	($271.23)	($2,142.88)	
45	($1,869.88)	($273.00)	($2,142.88)	
46	($1,868.09)	($274.79)	($2,142.88)	
47	($1,866.30)	($276.58)	($2,142.88)	
48	($1,864.49)	($278.39)	($2,142.88)	($25,714.56)
49	($1,862.67)	($280.21)	($2,142.88)	
50	($1,860.83)	($282.05)	($2,142.88)	
51	($1,858.99)	($283.89)	($2,142.88)	
52	($1,857.13)	($285.75)	($2,142.88)	
53	($1,855.26)	($287.62)	($2,142.88)	
54	($1,853.38)	($289.50)	($2,142.88)	
55	($1,851.49)	($291.39)	($2,142.88)	
56	($1,849.58)	($293.30)	($2,142.88)	
57	($1,847.66)	($295.22)	($2,142.88)	
58	($1,845.73)	($297.15)	($2,142.88)	
59	($1,843.79)	($299.09)	($2,142.88)	
60	($1,841.83)	($301.05)	($2,142.88)	($25,714.56)
61	($1,839.86)	($303.02)	($2,142.88)	
62	($1,837.88)	($305.00)	($2,142.88)	
63	($1,835.88)	($307.00)	($2,142.88)	
64	($1,833.87)	($309.01)	($2,142.88)	
65	($1,831.85)	($311.03)	($2,142.88)	
66	($1,829.82)	($313.06)	($2,142.88)	
67	($1,827.77)	($315.11)	($2,142.88)	
68	($1,825.71)	($317.17)	($2,142.88)	
69	($1,823.63)	($319.25)	($2,142.88)	
70	($1,821.55)	($321.33)	($2,142.88)	

71	($1,819.44)	($323.44)	($2,142.88)	
72	($1,817.33)	($325.55)	($2,142.88)	($25,714.56)
73	($1,815.20)	($327.68)	($2,142.88)	
74	($1,813.05)	($329.82)	($2,142.88)	
75	($1,810.90)	($331.98)	($2,142.88)	
76	($1,808.73)	($334.15)	($2,142.88)	
77	($1,806.54)	($336.34)	($2,142.88)	
78	($1,804.34)	($338.54)	($2,142.88)	
79	($1,802.12)	($340.75)	($2,142.88)	
80	($1,799.90)	($342.98)	($2,142.88)	
81	($1,797.65)	($345.23)	($2,142.88)	
82	($1,795.39)	($347.49)	($2,142.88)	
83	($1,793.12)	($349.76)	($2,142.88)	
84	($1,790.83)	($352.05)	($2,142.88)	($25,714.56)
85	($1,788.53)	($354.35)	($2,142.88)	
86	($1,786.21)	($356.67)	($2,142.88)	
87	($1,783.88)	($359.00)	($2,142.88)	
88	($1,781.53)	($361.35)	($2,142.88)	
89	($1,779.17)	($363.71)	($2,142.88)	
90	($1,776.79)	($366.09)	($2,142.88)	
91	($1,774.39)	($368.49)	($2,142.88)	
92	($1,771.98)	($370.90)	($2,142.88)	
93	($1,769.55)	($373.32)	($2,142.88)	
94	($1,767.11)	($375.77)	($2,142.88)	
95	($1,764.65)	($378.23)	($2,142.88)	
96	($1,762.18)	($380.70)	($2,142.88)	($25,714.56)
97	($1,759.69)	($383.19)	($2,142.88)	
98	($1,757.18)	($385.70)	($2,142.88)	
99	($1,754.66)	($388.22)	($2,142.88)	
100	($1,752.12)	($390.76)	($2,142.88)	
101	($1,749.56)	($393.32)	($2,142.88)	
102	($1,746.99)	($395.89)	($2,142.88)	
103	($1,744.40)	($398.48)	($2,142.88)	
104	($1,741.79)	($401.08)	($2,142.88)	
105	($1,739.17)	($403.71)	($2,142.88)	
106	($1,736.53)	($406.35)	($2,142.88)	
107	($1,733.87)	($409.01)	($2,142.88)	
108	($1,731.20)	($411.68)	($2,142.88)	($25,714.56)
109	($1,728.50)	($414.38)	($2,142.88)	
110	($1,725.79)	($417.09)	($2,142.88)	
111	($1,723.06)	($419.82)	($2,142.88)	
112	($1,720.32)	($422.56)	($2,142.88)	
113	($1,717.55)	($425.33)	($2,142.88)	
114	($1,714.77)	($428.11)	($2,142.88)	
115	($1,711.97)	($430.91)	($2,142.88)	
116	($1,709.15)	($433.73)	($2,142.88)	
117	($1,706.31)	($436.57)	($2,142.88)	
118	($1,703.46)	($439.42)	($2,142.88)	
119	($1,700.58)	($442.30)	($2,142.88)	
120	($1,697.69)	($445.19)	($2,142.88)	($25,714.56)
121	($1,694.78)	($448.10)	($2,142.88)	
122	($1,691.85)	($451.03)	($2,142.88)	
123	($1,688.90)	($453.98)	($2,142.88)	
124	($1,685.93)	($456.95)	($2,142.88)	
125	($1,682.94)	($459.94)	($2,142.88)	
126	($1,679.93)	($462.95)	($2,142.88)	
127	($1,676.90)	($465.98)	($2,142.88)	
128	($1,673.85)	($469.03)	($2,142.88)	
129	($1,670.78)	($472.10)	($2,142.88)	
130	($1,667.70)	($475.18)	($2,142.88)	
131	($1,664.59)	($478.29)	($2,142.88)	
132	($1,661.46)	($481.42)	($2,142.88)	($25,714.56)
133	($1,658.31)	($484.57)	($2,142.88)	
134	($1,655.14)	($487.74)	($2,142.88)	
135	($1,651.95)	($490.93)	($2,142.88)	
136	($1,648.74)	($494.14)	($2,142.88)	
137	($1,645.50)	($497.38)	($2,142.88)	
138	($1,642.25)	($500.63)	($2,142.88)	
139	($1,638.98)	($503.90)	($2,142.88)	
140	($1,635.68)	($507.20)	($2,142.88)	
141	($1,632.36)	($510.52)	($2,142.88)	
142	($1,629.02)	($513.86)	($2,142.88)	
143	($1,625.66)	($517.22)	($2,142.88)	
144	($1,622.28)	($520.60)	($2,142.88)	($25,714.56)
145	($1,618.87)	($524.01)	($2,142.88)	

146	($1,615.44)	($527.44)	($2,142.88)	
147	($1,611.99)	($530.89)	($2,142.88)	
148	($1,608.52)	($534.36)	($2,142.88)	
149	($1,605.02)	($537.85)	($2,142.88)	
150	($1,601.51)	($541.37)	($2,142.88)	
151	($1,597.96)	($544.91)	($2,142.88)	
152	($1,594.40)	($548.48)	($2,142.88)	
153	($1,590.81)	($552.07)	($2,142.88)	
154	($1,587.20)	($555.68)	($2,142.88)	
155	($1,583.57)	($559.31)	($2,142.88)	
156	($1,579.91)	($562.97)	($2,142.88)	($25,714.56)
157	($1,576.22)	($566.66)	($2,142.88)	
158	($1,572.52)	($570.36)	($2,142.88)	
159	($1,568.79)	($574.09)	($2,142.88)	
160	($1,565.03)	($577.85)	($2,142.88)	
161	($1,561.25)	($581.63)	($2,142.88)	
162	($1,557.45)	($585.43)	($2,142.88)	
163	($1,553.62)	($589.26)	($2,142.88)	
164	($1,549.76)	($593.12)	($2,142.88)	
165	($1,545.88)	($597.00)	($2,142.88)	
166	($1,541.98)	($600.90)	($2,142.88)	
167	($1,538.04)	($604.83)	($2,142.88)	
168	($1,534.09)	($608.79)	($2,142.88)	($25,714.56)
169	($1,530.11)	($612.77)	($2,142.88)	
170	($1,526.10)	($616.78)	($2,142.88)	
171	($1,522.06)	($620.82)	($2,142.88)	
172	($1,518.00)	($624.88)	($2,142.88)	
173	($1,513.91)	($628.97)	($2,142.88)	
174	($1,509.80)	($633.08)	($2,142.88)	
175	($1,505.66)	($637.22)	($2,142.88)	
176	($1,501.49)	($641.39)	($2,142.88)	
177	($1,497.29)	($645.59)	($2,142.88)	
178	($1,493.07)	($649.81)	($2,142.88)	
179	($1,488.82)	($654.06)	($2,142.88)	
180	($1,484.54)	($658.34)	($2,142.88)	($25,714.56)
181	($1,480.23)	($662.65)	($2,142.88)	
182	($1,475.90)	($666.98)	($2,142.88)	
183	($1,471.54)	($671.34)	($2,142.88)	
184	($1,467.14)	($675.74)	($2,142.88)	
185	($1,462.72)	($680.16)	($2,142.88)	
186	($1,458.27)	($684.61)	($2,142.88)	
187	($1,453.80)	($689.08)	($2,142.88)	
188	($1,449.29)	($693.59)	($2,142.88)	
189	($1,444.75)	($698.13)	($2,142.88)	
190	($1,440.18)	($702.70)	($2,142.88)	
191	($1,435.59)	($707.29)	($2,142.88)	
192	($1,430.96)	($711.92)	($2,142.88)	($25,714.56)
193	($1,426.30)	($716.58)	($2,142.88)	
194	($1,421.62)	($721.26)	($2,142.88)	
195	($1,416.90)	($725.98)	($2,142.88)	
196	($1,412.15)	($730.73)	($2,142.88)	
197	($1,407.37)	($735.51)	($2,142.88)	
198	($1,402.56)	($740.32)	($2,142.88)	
199	($1,397.71)	($745.17)	($2,142.88)	
200	($1,392.84)	($750.04)	($2,142.88)	
201	($1,387.93)	($754.95)	($2,142.88)	
202	($1,382.99)	($759.89)	($2,142.88)	
203	($1,378.02)	($764.86)	($2,142.88)	
204	($1,373.02)	($769.86)	($2,142.88)	($25,714.56)
205	($1,367.98)	($774.90)	($2,142.88)	
206	($1,362.91)	($779.97)	($2,142.88)	
207	($1,357.81)	($785.07)	($2,142.88)	
208	($1,352.68)	($790.20)	($2,142.88)	
209	($1,347.51)	($795.37)	($2,142.88)	
210	($1,342.30)	($800.58)	($2,142.88)	
211	($1,337.07)	($805.81)	($2,142.88)	
212	($1,331.80)	($811.08)	($2,142.88)	
213	($1,326.49)	($816.39)	($2,142.88)	
214	($1,321.15)	($821.73)	($2,142.88)	
215	($1,315.77)	($827.11)	($2,142.88)	
216	($1,310.36)	($832.52)	($2,142.88)	($25,714.56)
217	($1,304.92)	($837.96)	($2,142.88)	
218	($1,299.44)	($843.44)	($2,142.88)	
219	($1,293.92)	($848.96)	($2,142.88)	
220	($1,288.36)	($854.52)	($2,142.88)	

221	($1,282.77)	($860.11)	($2,142.88)	
222	($1,277.15)	($865.73)	($2,142.88)	
223	($1,271.48)	($871.40)	($2,142.88)	
224	($1,265.78)	($877.10)	($2,142.88)	
225	($1,260.05)	($882.83)	($2,142.88)	
226	($1,254.27)	($888.61)	($2,142.88)	
227	($1,248.46)	($894.42)	($2,142.88)	
228	($1,242.61)	($900.27)	($2,142.88)	($25,714.56)
229	($1,236.72)	($906.16)	($2,142.88)	
230	($1,230.79)	($912.09)	($2,142.88)	
231	($1,224.82)	($918.06)	($2,142.88)	
232	($1,218.82)	($924.06)	($2,142.88)	
233	($1,212.77)	($930.11)	($2,142.88)	
234	($1,206.69)	($936.19)	($2,142.88)	
235	($1,200.56)	($942.32)	($2,142.88)	
236	($1,194.40)	($948.48)	($2,142.88)	
237	($1,188.20)	($954.68)	($2,142.88)	
238	($1,181.95)	($960.93)	($2,142.88)	
239	($1,175.66)	($967.22)	($2,142.88)	
240	($1,169.34)	($973.54)	($2,142.88)	($25,714.56)
241	($1,162.97)	($979.91)	($2,142.88)	
242	($1,156.56)	($986.32)	($2,142.88)	
243	($1,150.11)	($992.77)	($2,142.88)	
244	($1,143.61)	($999.27)	($2,142.88)	
245	($1,137.07)	($1,005.81)	($2,142.88)	
246	($1,130.49)	($1,012.38)	($2,142.88)	
247	($1,123.87)	($1,019.01)	($2,142.88)	
248	($1,117.21)	($1,025.67)	($2,142.88)	
249	($1,110.50)	($1,032.38)	($2,142.88)	
250	($1,103.74)	($1,039.14)	($2,142.88)	
251	($1,096.95)	($1,045.93)	($2,142.88)	
252	($1,090.10)	($1,052.78)	($2,142.88)	($25,714.56)
253	($1,083.22)	($1,059.66)	($2,142.88)	
254	($1,076.28)	($1,066.60)	($2,142.88)	
255	($1,069.31)	($1,073.57)	($2,142.88)	
256	($1,062.28)	($1,080.60)	($2,142.88)	
257	($1,055.22)	($1,087.66)	($2,142.88)	
258	($1,048.10)	($1,094.78)	($2,142.88)	
259	($1,040.94)	($1,101.94)	($2,142.88)	
260	($1,033.73)	($1,109.15)	($2,142.88)	
261	($1,026.47)	($1,116.41)	($2,142.88)	
262	($1,019.17)	($1,123.71)	($2,142.88)	
263	($1,011.82)	($1,131.06)	($2,142.88)	
264	($1,004.42)	($1,138.46)	($2,142.88)	($25,714.56)
265	($996.97)	($1,145.91)	($2,142.88)	
266	($989.48)	($1,153.40)	($2,142.88)	
267	($981.93)	($1,160.95)	($2,142.88)	
268	($974.34)	($1,168.54)	($2,142.88)	
269	($966.69)	($1,176.19)	($2,142.88)	
270	($959.00)	($1,183.88)	($2,142.88)	
271	($951.25)	($1,191.62)	($2,142.88)	
272	($943.46)	($1,199.42)	($2,142.88)	
273	($935.61)	($1,207.27)	($2,142.88)	
274	($927.72)	($1,215.16)	($2,142.88)	
275	($919.77)	($1,223.11)	($2,142.88)	
276	($911.77)	($1,231.11)	($2,142.88)	($25,714.56)
277	($903.71)	($1,239.17)	($2,142.88)	
278	($895.61)	($1,247.27)	($2,142.88)	
279	($887.45)	($1,255.43)	($2,142.88)	
280	($879.23)	($1,263.65)	($2,142.88)	
281	($870.97)	($1,271.91)	($2,142.88)	
282	($862.65)	($1,280.23)	($2,142.88)	
283	($854.27)	($1,288.61)	($2,142.88)	
284	($845.84)	($1,297.04)	($2,142.88)	
285	($837.36)	($1,305.52)	($2,142.88)	
286	($828.82)	($1,314.06)	($2,142.88)	
287	($820.22)	($1,322.66)	($2,142.88)	
288	($811.57)	($1,331.31)	($2,142.88)	($25,714.56)
289	($802.86)	($1,340.02)	($2,142.88)	
290	($794.09)	($1,348.79)	($2,142.88)	
291	($785.27)	($1,357.61)	($2,142.88)	
292	($776.39)	($1,366.49)	($2,142.88)	
293	($767.45)	($1,375.43)	($2,142.88)	
294	($758.45)	($1,384.43)	($2,142.88)	
295	($749.40)	($1,393.48)	($2,142.88)	

296	($740.28)	($1,402.60)	($2,142.88)	
297	($731.11)	($1,411.77)	($2,142.88)	
298	($721.87)	($1,421.01)	($2,142.88)	
299	($712.57)	($1,430.31)	($2,142.88)	
300	($703.22)	($1,439.66)	($2,142.88)	($25,714.56)
301	($693.80)	($1,449.08)	($2,142.88)	
302	($684.32)	($1,458.56)	($2,142.88)	
303	($674.78)	($1,468.10)	($2,142.88)	
304	($665.18)	($1,477.70)	($2,142.88)	
305	($655.51)	($1,487.37)	($2,142.88)	
306	($645.78)	($1,497.10)	($2,142.88)	
307	($635.99)	($1,506.89)	($2,142.88)	
308	($626.13)	($1,516.75)	($2,142.88)	
309	($616.21)	($1,526.67)	($2,142.88)	
310	($606.22)	($1,536.66)	($2,142.88)	
311	($596.17)	($1,546.71)	($2,142.88)	
312	($586.05)	($1,556.83)	($2,142.88)	($25,714.56)
313	($575.86)	($1,567.02)	($2,142.88)	
314	($565.61)	($1,577.27)	($2,142.88)	
315	($555.29)	($1,587.58)	($2,142.88)	
316	($544.91)	($1,597.97)	($2,142.88)	
317	($534.46)	($1,608.42)	($2,142.88)	
318	($523.93)	($1,618.95)	($2,142.88)	
319	($513.34)	($1,629.54)	($2,142.88)	
320	($502.68)	($1,640.20)	($2,142.88)	
321	($491.95)	($1,650.93)	($2,142.88)	
322	($481.15)	($1,661.73)	($2,142.88)	
323	($470.28)	($1,672.60)	($2,142.88)	
324	($459.34)	($1,683.54)	($2,142.88)	($25,714.56)
325	($448.33)	($1,694.55)	($2,142.88)	
326	($437.24)	($1,705.64)	($2,142.88)	
327	($426.09)	($1,716.79)	($2,142.88)	
328	($414.86)	($1,728.02)	($2,142.88)	
329	($403.55)	($1,739.33)	($2,142.88)	
330	($392.17)	($1,750.71)	($2,142.88)	
331	($380.72)	($1,762.16)	($2,142.88)	
332	($369.19)	($1,773.69)	($2,142.88)	
333	($357.59)	($1,785.29)	($2,142.88)	
334	($345.91)	($1,796.97)	($2,142.88)	
335	($334.16)	($1,808.72)	($2,142.88)	
336	($322.32)	($1,820.56)	($2,142.88)	($25,714.56)
337	($310.42)	($1,832.46)	($2,142.88)	
338	($298.43)	($1,844.45)	($2,142.88)	
339	($286.36)	($1,856.52)	($2,142.88)	
340	($274.22)	($1,868.66)	($2,142.88)	
341	($261.99)	($1,880.89)	($2,142.88)	
342	($249.69)	($1,893.19)	($2,142.88)	
343	($237.30)	($1,905.58)	($2,142.88)	
344	($224.84)	($1,918.04)	($2,142.88)	
345	($212.29)	($1,930.59)	($2,142.88)	
346	($199.66)	($1,943.22)	($2,142.88)	
347	($186.95)	($1,955.93)	($2,142.88)	
348	($174.16)	($1,968.72)	($2,142.88)	($25,714.56)
349	($161.28)	($1,981.60)	($2,142.88)	
350	($148.31)	($1,994.57)	($2,142.88)	
351	($135.27)	($2,007.61)	($2,142.88)	
352	($122.13)	($2,020.75)	($2,142.88)	
353	($108.91)	($2,033.97)	($2,142.88)	
354	($95.61)	($2,047.27)	($2,142.88)	
355	($82.22)	($2,060.66)	($2,142.88)	
356	($68.74)	($2,074.14)	($2,142.88)	
357	($55.17)	($2,087.71)	($2,142.88)	
358	($41.51)	($2,101.37)	($2,142.88)	
359	($27.76)	($2,115.12)	($2,142.88)	
360	($13.93)	($2,128.95)	($2,142.88)	($25,714.56)
			$0.00	

5. Case Study Tax Schedules

A. The Economic Recovery Tax Act of 1981

TAX ACT	1981	
OPERATING ASSUMPTIONS:		CLASS
Basement/Ground Floors	1346	Commercial
Second and Third Floors	1620	Residential
Fourth and Fifth Floors	1636	Residential
Total Square Footage	4602	
Comm'l Vacancy Allowance	14%	
Resid'l Vacancy Allowance	7%	
Management Fee	7%	
Reserve for Replacements	1%	
Commercial Rent (SF/annum)	$10.46	
Residential Rent (Unit 1)	$1,200	
Residential Rent (Unit 2)	$1,225	
FINANCING ASSUMPTIONS:		SF
Acquisition Cost	$120,000	
Land Value Ratio	10%	
Land Value	$12,000	
Adjusted Basis	$108,000	$23.47
Development Costs	$275,000	$59.76
Total Project Cost	$395,000	$85.83
QRE Ratio	0.95	
Qualified Rehab Expenditures	$261,250	$56.77
Depreciation Method	SL	
Depr. Term (Residential):Yrs.	15	
Depr. Term (Commercial):Yrs.	15	
Depreciable Basis	$383,000	
Debt Equity Ratio	0.75	
Loan Amount	$296,250	
Equity Amount	$98,750	
Mortgage Rate	7.85%	
Mortgage Term (Years)	30	
Capitalization Rate (S&P)	9.50%	
TAX CREDIT ASSUMPTIONS	Value	Percentage
Historic Tax Credit	$65,313	25%

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'L)		($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($57,267)	($55,394)	($56,067)	($56,766)	($57,493)	($65,121)	($63,786)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR												
Tax Rate	15.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$1,718	$1,662	$1,682	$1,703	$1,725	$1,954	$1,914	$1,915	$1,860	$1,795	$1,717
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$4	$281	$122	($45)	($222)	($1,575)	($1,409)	($1,486)	($1,244)	($944)	($580)
INVESTMENT EVALUATION												
NPV		($23,571)										
TAX CREDIT												
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$1,718	$1,662	$1,682	$1,703	$1,725	$1,954	$1,914	$1,915	$1,860	$1,795	$1,717
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$14,781	$1,662	$1,682	$1,703	$1,725	$1,954	$1,914	$1,915	$1,860	$1,795	$1,717
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$16,494	$281	$122	($45)	($222)	($1,575)	($1,409)	($1,486)	($1,244)	($944)	($580)
INVESTMENT EVALUATION												
NPV		($9,819)										

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'l.)		($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($57,267)	($55,394)	($56,067)	($56,766)	($57,493)	($65,121)	($63,784)	($63,847)	($62,900)	($59,821)	($57,228)
INVESTOR												
Tax Rate	23.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)		$2,634	$2,548	$2,579	$2,611	$2,645	$2,996	$2,934	$2,937	$2,852	$2,752	$2,632
Tax Loss Share (Tax)		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
Share of Operating Cash Flow												
After Tax Cash Flow 1	($19,750)	$921	$1,168	$1,019	$863	$698	($533)	($389)	($465)	($252)	$13	$336
INVESTMENT EVALUATION												
NPV	($13,950)											
TAX CREDIT												
Tax Credit Share	$13,063	$2,634	$2,548	$2,579	$2,611	$2,645	$2,996	$2,934	$2,937	$2,852	$2,752	$2,632
Operating Loss Deduction (Tax)		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Rehabilitation Tax Credit		$15,697	$2,548	$2,579	$2,611	$2,645	$2,996	$2,934	$2,937	$2,852	$2,752	$2,632
Total Tax Benefit												
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$17,410	$1,168	$1,019	$863	$698	($533)	($389)	($465)	($252)	$13	$336
INVESTMENT EVALUATION												
NPV	($197)											

			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX SCHEDULE													
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'L)			($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($57,267)	($55,394)	($56,067)	($56,766)	($57,493)	($65,121)	($63,786)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR													
Tax Rate	28.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)			$3,207	$3,102	$3,140	$3,179	$3,220	$3,647	$3,572	$3,575	$3,472	$3,350	$3,205
Tax Loss Share (Tax)			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
Share of Operating Cash Flow													
After Tax Cash Flow 1		($19,750)	$1,493	$1,722	$1,580	$1,430	$1,273	$118	$249	$174	$368	$611	$908

INVESTMENT EVALUATION	
NPV	($7,937)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX CREDIT												
Tax Credit Share	$13,063	$3,207	$3,102	$3,140	$3,179	$3,220	$3,647	$3,572	$3,575	$3,472	$3,350	$3,205
Operating Loss Deduction (Tax)		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Rehabilitation Tax Credit		$16,269	$3,102	$3,140	$3,179	$3,220	$3,647	$3,572	$3,575	$3,472	$3,350	$3,205
Total Tax Benefit												
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$17,983	$1,722	$1,580	$1,430	$1,273	$118	$249	$174	$368	$611	$908

INVESTMENT EVALUATION	
NPV	$5,816

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'l.)		($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($57,267)	($55,394)	($56,067)	($56,764)	($57,493)	($65,121)	($63,786)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR												
Tax Rate	31.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$3,551	$3,434	$3,476	$3,520	$3,565	$4,037	$3,955	$3,958	$3,844	$3,709	$3,548
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$1,837	$2,054	$1,916	$1,771	$1,618	$509	$632	$557	$740	$970	$1,252

INVESTMENT EVALUATION	
NPV	($4,329)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$3,551	$3,434	$3,476	$3,520	$3,565	$4,037	$3,955	$3,958	$3,844	$3,709	$3,548
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$16,614	$3,434	$3,476	$3,520	$3,565	$4,037	$3,955	$3,958	$3,844	$3,709	$3,548
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$18,327	$2,054	$1,916	$1,771	$1,618	$509	$632	$557	$740	$970	$1,252

INVESTMENT EVALUATION	
NPV	$9,424

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)			($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'L)			($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($57,267)	($55,394)	($56,067)	($56,766)	($57,493)	($65,121)	($63,786)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR													
Tax Rate	34.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$3,894	$3,767	$3,813	$3,860	$3,910	$4,428	$4,337	$4,342	$4,216	$4,068	$3,891
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$2,181	$2,386	$2,253	$2,112	$1,963	$900	$1,014	$940	$1,112	$1,329	$1,595

INVESTMENT EVALUATION	
NPV	($721)

TAX CREDIT			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063												
Operating Loss Deduction (Tax)			$3,894	$3,767	$3,813	$3,860	$3,910	$4,428	$4,337	$4,342	$4,216	$4,068	$3,891
Historic Rehabilitation Tax Credit			$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$16,957	$3,767	$3,813	$3,860	$3,910	$4,428	$4,337	$4,342	$4,216	$4,068	$3,891
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$18,670	$2,386	$2,253	$2,112	$1,963	$900	$1,014	$940	$1,112	$1,329	$1,595

INVESTMENT EVALUATION	
NPV	$13,832

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX SCHEDULE												
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'L)		($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($57,267)	($55,394)	($56,067)	($56,764)	($57,493)	($65,121)	($63,786)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR												
Tax Rate	36.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$4,123	$3,988	$4,037	$4,087	$4,140	$4,689	$4,593	$4,597	$4,464	$4,307	$4,120
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$2,410	$2,608	$2,477	$2,339	$2,193	$1,160	$1,270	$1,196	$1,360	$1,568	$1,824

INVESTMENT EVALUATION	
NPV	$1,685

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX CREDIT												
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$4,123	$3,988	$4,037	$4,087	$4,140	$4,689	$4,593	$4,597	$4,464	$4,307	$4,120
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$17,186	$3,988	$4,037	$4,087	$4,140	$4,689	$4,593	$4,597	$4,464	$4,307	$4,120
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$18,899	$2,608	$2,477	$2,339	$2,193	$1,160	$1,270	$1,196	$1,360	$1,568	$1,824

INVESTMENT EVALUATION	
NPV	$15,437

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)		($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'L)		($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($57,267)	($55,394)	($56,067)	($56,766)	($57,493)	($65,121)	($63,784)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR												
Tax Rate	39.60%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$4,536	$4,387	$4,440	$4,496	$4,553	$5,158	$5,052	$5,057	$4,910	$4,738	$4,532
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$2,822	$3,007	$2,880	$2,747	$2,607	$1,629	$1,729	$1,655	$1,807	$1,999	$2,236

INVESTMENT EVALUATION	
NPV	$6,814

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$4,536	$4,387	$4,440	$4,496	$4,553	$5,158	$5,052	$5,057	$4,910	$4,738	$4,532
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$17,599	$4,387	$4,440	$4,496	$4,553	$5,158	$5,052	$5,057	$4,910	$4,738	$4,532
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$19,312	$3,007	$2,880	$2,747	$2,607	$1,629	$1,729	$1,655	$1,807	$1,999	$2,236

INVESTMENT EVALUATION	
NPV	$19,767

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX SCHEDULE												
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)	($7,468)
Less: Depreciation (Res'l.)		($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)	($18,065)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($57,267)	($55,394)	($56,067)	($56,766)	($57,493)	($65,121)	($63,786)	($63,847)	($62,000)	($59,821)	($57,228)
INVESTOR												
Tax Rate	50.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)		$5,727	$5,539	$5,607	$5,677	$5,749	$6,512	$6,379	$6,385	$6,200	$5,982	$5,723
Tax Loss Share (Tax)		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
Share of Operating Cash Flow												
After Tax Cash Flow 1	($19,750)	$4,013	$4,159	$4,047	$3,928	$3,803	$2,984	$3,054	$2,983	$3,094	$3,243	$3,426

INVESTMENT EVALUATION	
NPV	$18,522

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX CREDIT	$13,063											
Tax Credit Share		$5,727	$5,539	$5,607	$5,677	$5,749	$6,512	$6,379	$6,385	$6,200	$5,982	$5,723
Operating Loss Deduction (Tax)		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Historic Rehabilitation Tax Credit		$18,789	$5,539	$5,607	$5,677	$5,749	$6,512	$6,379	$6,385	$6,200	$5,982	$5,723
Total Tax Benefit												
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$20,503	$4,159	$4,047	$3,928	$3,843	$2,984	$3,054	$2,983	$3,094	$3,243	$3,426

INVESTMENT EVALUATION	
NPV	$32,275

B. The Tax Reform Act of 1984

TAX ACT	1984	
OPERATING ASSUMPTIONS:		CLASS
Basement/Ground Floors	1346	Commercial
Second and Third Floors	1620	Residential
Fourth and Fifth Floors	1636	Residential
Total Square Footage	4602	
Comm'l Vacancy Allowance	14%	
Resid'l Vacancy Allowance	7%	
Management Fee	7%	
Reserve for Replacements	1%	
Commercial Rent (SF/annum)	$10.46	
Residential Rent (Unit 1)	$1,200	
Residential Rent (Unit 2)	$1,225	
FINANCING ASSUMPTIONS:		SF
Acquisition Cost	$120,000	
Land Value Ratio	10%	
Land Value	$12,000	
Adjusted Basis	$108,000	$23.47
Development Costs	$275,000	$59.76
Total Project Cost	$395,000	$85.83
QRE Ratio	0.95	
Qualified Rehab Expenditures	$261,250	$56.77
Depreciation Method	SL	
Depr. Term (Residential):Yrs.	18	
Depr. Term (Commercial):Yrs.	18	
Depreciable Basis	$350,344	
Debt Equity Ratio	0.75	
Loan Amount	$296,250	
Equity Amount	$98,750	
Mortgage Rate	7.85%	
Mortgage Term (Years)	30	
Capitalization Rate (S&P)	9.50%	
TAX CREDIT ASSUMPTIONS	Value	Percentage
Historic Tax Credit	$65,313	25%

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'l.)		($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR												
Tax Rate	15.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$1,536	$1,480	$1,500	$1,521	$1,543	$1,772	$1,731	$1,733	$1,678	$1,613	$1,535
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	($178)	$99	($60)	($228)	($404)	($1,757)	($1,592)	($1,668)	($1,426)	($1,127)	($762)

INVESTMENT EVALUATION	
NPV	($25,450)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$1,536	$1,480	$1,500	$1,521	$1,543	$1,772	$1,731	$1,733	$1,678	$1,613	$1,535
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$14,599	$1,480	$1,500	$1,521	$1,543	$1,772	$1,731	$1,733	$1,678	$1,613	$1,535
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$12,885	$99	($60)	($228)	($404)	($1,757)	($1,592)	($1,668)	($1,426)	($1,127)	($762)

INVESTMENT EVALUATION	
NPV	($14,556)

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'L)		($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR												
Tax Rate	23.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$2,355	$2,269	$2,300	$2,332	$2,365	$2,716	$2,655	$2,658	$2,573	$2,473	$2,353
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$641	$888	$740	$584	$419	($812)	($668)	($744)	($531)	($266)	$57

INVESTMENT EVALUATION	
NPV	($16,831)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$2,355	$2,269	$2,300	$2,332	$2,365	$2,716	$2,655	$2,658	$2,573	$2,473	$2,353
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$15,418	$2,269	$2,300	$2,332	$2,365	$2,716	$2,655	$2,658	$2,573	$2,473	$2,353
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$13,704	$888	$740	$584	$419	($812)	($668)	($744)	($531)	($266)	$57

INVESTMENT EVALUATION	
NPV	($5,937)

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'l.)			($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR													
Tax Rate	28.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$2,867	$2,762	$2,800	$2,839	$2,880	$3,307	$3,232	$3,235	$3,132	$3,010	$2,865
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,153	$1,382	$1,240	$1,091	$933	($222)	($91)	($166)	$28	$271	$568

INVESTMENT EVALUATION	
NPV	($11,444)

TAX CREDIT			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063												
Operating Loss Deduction (Tax)			$2,867	$2,762	$2,800	$2,839	$2,880	$3,307	$3,232	$3,235	$3,132	$3,010	$2,865
Historic Rehabilitation Tax Credit			$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$15,930	$2,762	$2,800	$2,839	$2,880	$3,307	$3,232	$3,235	$3,132	$3,010	$2,865
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$14,216	$1,382	$1,240	$1,091	$933	($222)	($91)	($166)	$28	$271	$568

INVESTMENT EVALUATION	
NPV	($550)

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'l.)			($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR													
Tax Rate	31.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$3,174	$3,058	$3,100	$3,143	$3,188	$3,661	$3,578	$3,582	$3,468	$3,333	$3,172
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,461	$1,678	$1,540	$1,395	$1,242	$133	$255	$181	$364	$594	$875

INVESTMENT EVALUATION	
NPV	($8,212)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$3,174	$3,058	$3,100	$3,143	$3,188	$3,661	$3,578	$3,582	$3,468	$3,333	$3,172
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$16,237	$3,058	$3,100	$3,143	$3,188	$3,661	$3,578	$3,582	$3,468	$3,333	$3,172
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$14,523	$1,678	$1,540	$1,395	$1,242	$133	$255	$181	$364	$594	$875

INVESTMENT EVALUATION	
NPV	$2,683

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)		($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'L)		($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR												
Tax Rate	34.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$3,481	$3,354	$3,400	$3,447	$3,497	$4,015	$3,925	$3,929	$3,803	$3,655	$3,479
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$1,768	$1,974	$1,840	$1,699	$1,550	$487	$602	$527	$699	$916	$1,182

INVESTMENT EVALUATION	
NPV	($4,979)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$3,481	$3,354	$3,400	$3,447	$3,497	$4,015	$3,925	$3,929	$3,803	$3,655	$3,479
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$16,544	$3,354	$3,400	$3,447	$3,497	$4,015	$3,925	$3,929	$3,803	$3,655	$3,479
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$14,830	$1,974	$1,840	$1,699	$1,550	$487	$602	$527	$699	$916	$1,182

INVESTMENT EVALUATION	
NPV	$5,915

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'L)		($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR												
Tax Rate	36.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$3,686	$3,551	$3,600	$3,650	$3,702	$4,252	$4,156	$4,160	$4,027	$3,870	$3,683
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$1,973	$2,171	$2,040	$1,902	$1,756	$723	$833	$758	$923	$1,131	$1,387

INVESTMENT EVALUATION	
NPV	($2,825)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$3,686	$3,551	$3,600	$3,650	$3,702	$4,252	$4,156	$4,160	$4,027	$3,870	$3,683
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$16,749	$3,551	$3,600	$3,650	$3,702	$4,252	$4,156	$4,160	$4,027	$3,870	$3,683
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$15,035	$2,171	$2,040	$1,902	$1,756	$723	$833	$758	$923	$1,131	$1,387

INVESTMENT EVALUATION	
NPV	$8,070

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'l.)		($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR												
Tax Rate	39.60%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$4,055	$3,906	$3,960	$4,015	$4,073	$4,677	$4,571	$4,576	$4,430	$4,257	$4,052
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$2,341	$2,526	$2,400	$2,267	$2,126	$1,148	$1,248	$1,174	$1,326	$1,518	$1,755

INVESTMENT EVALUATION	
NPV	$1,054

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063											
Operating Loss Deduction (Tax)		$4,055	$3,906	$3,960	$4,015	$4,073	$4,677	$4,571	$4,576	$4,430	$4,257	$4,052
Historic Rehabilitation Tax Credit		$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$17,117	$3,906	$3,960	$4,015	$4,073	$4,677	$4,571	$4,576	$4,430	$4,257	$4,052
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$15,404	$2,526	$2,400	$2,267	$2,126	$1,148	$1,248	$1,174	$1,326	$1,518	$1,755

INVESTMENT EVALUATION	
NPV	$11,948

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)	($5,693)
Less: Depreciation (Res'L)			($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)	($13,771)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($51,197)	($49,324)	($49,997)	($50,696)	($51,424)	($59,051)	($57,717)	($57,777)	($55,930)	($53,752)	($51,158)
INVESTOR													
Tax Rate	50.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$5,120	$4,932	$5,000	$5,070	$5,142	$5,905	$5,772	$5,778	$5,593	$5,375	$5,116
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$3,406	$3,551	$3,440	$3,321	$3,196	$2,377	$2,449	$2,376	$2,489	$2,636	$2,819

INVESTMENT EVALUATION	
NPV	$12,259

TAX CREDIT			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$13,063												
Operating Loss Deduction (Tax)			$5,120	$4,932	$5,000	$5,070	$5,142	$5,905	$5,772	$5,778	$5,593	$5,375	$5,116
Historic Rehabilitation Tax Credit			$13,063	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$18,183	$4,932	$5,000	$5,070	$5,142	$5,905	$5,772	$5,778	$5,593	$5,375	$5,116
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$16,469	$3,552	$3,440	$3,321	$3,196	$2,377	$2,449	$2,376	$2,489	$2,636	$2,819

INVESTMENT EVALUATION	
NPV	$23,153

C. The Tax Reform Act of 1986

TAX ACT	1986	
OPERATING ASSUMPTIONS:		CLASS
Basement/Ground Floors	1346	Commercial
Second and Third Floors	1620	Residential
Fourth and Fifth Floors	1636	Residential
Total Square Footage	4602	
Comm'l Vacancy Allowance	14%	
Resid'l Vacancy Allowance	7%	
Management Fee	7%	
Reserve for Replacements	1%	
Commercial Rent (SF/annum)	$10.46	
Residential Rent (Unit 1)	$1,200	
Residential Rent (Unit 2)	$1,225	
FINANCING ASSUMPTIONS:		SF
Acquisition Cost	$120,000	
Land Value Ratio	10%	
Land Value	$12,000	
Adjusted Basis	$108,000	$23.47
Development Costs	$275,000	$59.76
Total Project Cost	$395,000	$85.83
QRE Ratio	0.95	
Qualified Rehab Expenditures	$261,250	$56.77
Depreciation Method	SL	
Depr. Term (Residential):Yrs.	27.5	
Depr. Term (Commercial):Yrs.	31.5	
Depreciable Basis	$330,750	
Debt Equity Ratio	0.75	
Loan Amount	$296,250	
Equity Amount	$98,750	
Mortgage Rate	7.85%	
Mortgage Term (Years)	30	
Capitalization Rate (S&P)	9.50%	
TAX CREDIT ASSUMPTIONS	Value	Percentage
Historic Tax Credit	$52,250	20%

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)		($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)		($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR												
Tax Rate	15.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$1,299	$1,243	$1,263	$1,284	$1,306	$1,535	$1,495	$1,497	$1,441	$1,376	$1,298
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	($414)	($137)	($297)	($464)	($640)	($1,994)	($1,828)	($1,905)	($1,662)	($1,363)	($998)
INVESTMENT EVALUATION												
NPV		($27,898)										
TAX CREDIT												
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$3,750											
Tax Credit Balance		$7,999	$5,549	$3,042	$555	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$1,299	$1,243	$1,263	$1,284	$1,306	$1,535	$1,495	$1,497	$1,441	$1,376	$1,298
Historic Rehabilitation Tax Credit		$2,451	$2,507	$2,487	$2,466	$555	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$3,750	$3,750	$3,750	$3,750	$1,862	$1,535	$1,495	$1,497	$1,441	$1,376	$1,298
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$5,464	$2,369	$2,190	$2,002	($85)	($1,994)	($1,828)	($1,905)	($1,662)	($1,363)	($998)
INVESTMENT EVALUATION												
NPV		($17,461)										

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	21.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$1,819	$1,741	$1,769	$1,798	$1,829	$2,149	$2,093	$2,096	$2,018	$1,926	$1,818
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$106	$360	$209	$54	($118)	($1,380)	($1,230)	($1,306)	($1,086)	($813)	($479)

INVESTMENT EVALUATION	
NPV	($22,402)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$5,250											
Tax Credit Balance		$7,019	$3,588	$79	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$1,819	$1,741	$1,769	$1,798	$1,829	$2,149	$2,093	$2,096	$2,018	$1,926	$1,818
Historic Rehabilitation Tax Credit		$3,431	$3,509	$3,481	$79	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$5,250	$5,250	$5,250	$1,877	$1,829	$2,149	$2,093	$2,096	$2,018	$1,926	$1,818
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$6,964	$3,869	$3,690	$129	($118)	($1,380)	($1,230)	($1,306)	($1,086)	($813)	($479)

INVESTMENT EVALUATION	
NPV	($11,538)

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'l.)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	28.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$2,426	$2,321	$2,358	$2,398	$2,438	$2,865	$2,791	$2,794	$2,691	$2,569	$2,423
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$712	$940	$798	$649	$492	($663)	($532)	($607)	($413)	($170)	$127

INVESTMENT EVALUATION	
NPV	($15,999)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$7,000											
Tax Credit Balance		$5,876	$1,301	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$2,426	$2,321	$2,358	$2,398	$2,438	$2,865	$2,791	$2,794	$2,691	$2,569	$2,423
Historic Rehabilitation Tax Credit		$4,574	$4,679	$1,301	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$7,000	$7,000	$3,659	$2,398	$2,438	$2,865	$2,791	$2,794	$2,691	$2,569	$2,423
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$8,714	$5,619	$2,100	$649	$492	($663)	($532)	($607)	($413)	($170)	$127

INVESTMENT EVALUATION	
NPV	($4,856)

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)		($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,334)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR												
Tax Rate	31.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$2,685	$2,569	$2,611	$2,654	$2,700	$3,172	$3,090	$3,093	$2,979	$2,844	$2,683
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$972	$1,188	$1,051	$906	$753	($356)	($233)	($308)	($125)	$105	$387

INVESTMENT EVALUATION	
NPV	($13,255)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$7,750											
Tax Credit Balance		$5,385	$321	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$2,685	$2,569	$2,611	$2,654	$2,700	$3,172	$3,090	$3,093	$2,979	$2,844	$2,683
Historic Rehabilitation Tax Credit		$5,065	$5,181	$321	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$7,750	$7,750	$2,932	$2,654	$2,700	$3,172	$3,090	$3,093	$2,979	$2,844	$2,683
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$9,464	$6,369	$1,372	$906	$753	($356)	($233)	($308)	($125)	$105	$387

INVESTMENT EVALUATION	
NPV	($2,003)

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	34.04%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$2,945	$2,818	$2,864	$2,911	$2,961	$3,479	$3,389	$3,393	$3,267	$3,119	$2,943
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,232	$1,437	$1,304	$1,163	$1,014	($49)	$66	($9)	$163	$380	$646
INVESTMENT EVALUATION													
NPV			($18,518)										
TAX CREDIT													
Tax Credit Share	$10,450												
Max Annual Allowable Credit	$10,450												
Tax Credit Balance			$2,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)			$2,945	$2,818	$2,864	$2,911	$2,961	$3,479	$3,389	$3,393	$3,267	$3,119	$2,943
Historic Rehabilitation Tax Credit			$7,505	$2,945	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$10,450	$5,763	$2,864	$2,911	$2,961	$3,479	$3,389	$3,393	$3,267	$3,119	$2,943
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$12,164	$4,383	$1,304	$1,163	$1,014	($49)	$66	($9)	$163	$380	$646
INVESTMENT EVALUATION													
NPV			$850										

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,847)	($45,869)	($43,275)
INVESTOR													
Tax Rate	36.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$3,119	$2,984	$3,032	$3,083	$3,135	$3,684	$3,588	$3,592	$3,459	$3,303	$3,116
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,405	$1,603	$1,472	$1,334	$1,189	$156	$265	$191	$356	$563	$819

INVESTMENT EVALUATION	
NPV	($8,681)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$9,000											
Tax Credit Balance		$4,569	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$3,119	$2,984	$3,032	$3,083	$3,135	$3,684	$3,588	$3,592	$3,459	$3,303	$3,116
Historic Rehabilitation Tax Credit		$5,881	$4,569	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$9,000	$7,553	$3,032	$3,083	$3,135	$3,684	$3,588	$3,592	$3,459	$3,303	$3,116
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$18,714	$6,172	$1,472	$1,334	$1,189	$156	$265	$191	$356	$563	$819

INVESTMENT EVALUATION	
NPV	$2,562

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	39.60%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$3,430	$3,282	$3,335	$3,391	$3,448	$4,053	$3,947	$3,952	$3,805	$3,633	$3,427
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,717	$1,902	$1,775	$1,642	$1,502	$524	$624	$550	$701	$894	$1,131
INVESTMENT EVALUATION													
NPV			($5,388)										
TAX CREDIT													
Tax Credit Share	$10,450												
Max Annual Allowable Credit	$9,900												
Tax Credit Balance			$3,980	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)			$3,430	$3,282	$3,335	$3,391	$3,448	$4,053	$3,947	$3,952	$3,805	$3,633	$3,427
Historic Rehabilitation Tax Credit			$6,470	$3,980	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$9,900	$7,262	$3,335	$3,391	$3,448	$4,053	$3,947	$3,952	$3,805	$3,633	$3,427
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$11,614	$5,882	$1,775	$1,642	$1,502	$524	$624	$550	$701	$894	$1,131
INVESTMENT EVALUATION													
NPV			$5,898										

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
TAX SCHEDULE												
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)		($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)		($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR												
Tax Rate	50.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$4,331	$4,144	$4,211	$4,281	$4,354	$5,117	$4,983	$4,989	$4,805	$4,587	$4,327
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$2,616	$2,764	$2,651	$2,533	$2,408	$1,588	$1,660	$1,588	$1,701	$1,848	$2,031
INVESTMENT EVALUATION												
NPV		$4,125										
TAX CREDIT												
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$12,500											
Tax Credit Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$4,331	$4,144	$4,211	$4,281	$4,354	$5,117	$4,983	$4,989	$4,805	$4,587	$4,327
Historic Rehabilitation Tax Credit		$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$14,781	$4,144	$4,211	$4,281	$4,354	$5,117	$4,983	$4,989	$4,805	$4,587	$4,327
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$16,495	$2,764	$2,651	$2,533	$2,408	$1,588	$1,660	$1,588	$1,701	$1,848	$2,031
INVESTMENT EVALUATION												
NPV		$15,699										

D. The Community Revitalization Tax Act

TAX ACT	CRTA	
OPERATING ASSUMPTIONS:		CLASS
Basement/Ground Floors	1346	Commercial
Second and Third Floors	1620	Residential
Fourth and Fifth Floors	1636	Residential
Total Square Footage	4602	
Comm'l Vacancy Allowance	14%	
Resid'l Vacancy Allowance	7%	
Management Fee	7%	
Reserve for Replacements	1%	
Commercial Rent (SF/annum)	$10.46	
Residential Rent (Unit 1)	$1,200	
Residential Rent (Unit 2)	$1,225	
FINANCING ASSUMPTIONS:		SF
Acquisition Cost	$120,000	
Land Value Ratio	10%	
Land Value	$12,000	
Adjusted Basis	$108,000	$23.47
Development Costs	$275,000	$59.76
Total Project Cost	$395,000	$85.83
QRE Ratio	0.95	
Qualified Rehab Expenditures	$261,250	$56.77
Depreciation Method	SL	
Depr. Term (Residential):Yrs.	27.5	
Depr. Term (Commercial):Yrs.	31.5	
Depreciable Basis	$330,750	
Debt Equity Ratio	0.75	
Loan Amount	$296,250	
Equity Amount	$98,750	
Mortgage Rate	7.85%	
Mortgage Term (Years)	30	
Capitalization Rate (S&P)	9.50%	
TAX CREDIT ASSUMPTIONS	Value	Percentage
Historic Tax Credit	$52,250	20%

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)		($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR												
Tax Rate	15.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$1,299	$1,243	$1,263	$1,284	$1,306	$1,535	$1,495	$1,497	$1,441	$1,376	$1,298
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	($414)	($137)	($297)	($464)	($640)	($1,994)	($1,828)	($1,905)	($1,662)	($1,363)	($998)

INVESTMENT EVALUATION	
NPV	($27,890)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$9,750											
Tax Credit Balance		$1,999	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$1,299	$1,243	$1,263	$1,284	$1,306	$1,535	$1,495	$1,497	$1,441	$1,376	$1,298
Historic Rehabilitation Tax Credit		$8,451	$1,999	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$9,750	$3,242	$1,263	$1,284	$1,306	$1,535	$1,495	$1,497	$1,441	$1,376	$1,298
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$11,464	$1,862	($297)	($464)	($640)	($1,994)	($1,828)	($1,905)	($1,662)	($1,363)	($998)

INVESTMENT EVALUATION	
NPV	($16,461)

CRTA 23%

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	21.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$1,819	$1,741	$1,769	$1,798	$1,829	$2,149	$2,093	$2,096	$2,018	$1,926	$1,818
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$106	$360	$209	$50	($118)	($1,380)	($1,230)	($1,306)	($1,086)	($813)	($479)
INVESTMENT EVALUATION													
NPV			($22,402)										
TAX CREDIT													
Tax Credit Share	$10,450												
Max Annual Allowable Credit	$13,650												
Tax Credit Balance			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)			$1,819	$1,741	$1,769	$1,798	$1,829	$2,149	$2,093	$2,096	$2,018	$1,926	$1,818
Historic Rehabilitation Tax Credit			$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$12,269	$1,741	$1,769	$1,798	$1,829	$2,149	$2,093	$2,096	$2,018	$1,926	$1,818
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$13,983	$360	$209	$50	($118)	($1,380)	($1,230)	($1,306)	($1,086)	($813)	($479)
INVESTMENT EVALUATION													
NPV			($10,828)										

CRTA 28%

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,947)	($45,869)	($43,275)
INVESTOR													
Tax Rate	28.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$2,426	$2,321	$2,358	$2,398	$2,438	$2,865	$2,791	$2,794	$2,691	$2,569	$2,423
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$712	$940	$798	$649	$492	($663)	($532)	($607)	($413)	($170)	$127
INVESTMENT EVALUATION													
NPV			($15,999)										
TAX CREDIT													
Tax Credit Share	$10,450												
Max Annual Allowable Credit	$18,200												
Tax Credit Balance			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)			$2,426	$2,321	$2,358	$2,398	$2,438	$2,865	$2,791	$2,794	$2,691	$2,569	$2,423
Historic Rehabilitation Tax Credit			$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$12,876	$2,321	$2,358	$2,398	$2,438	$2,865	$2,791	$2,794	$2,691	$2,569	$2,423
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$14,589	$940	$798	$649	$492	($663)	($532)	($607)	($413)	($170)	$127
INVESTMENT EVALUATION													
NPV			($4,425)										

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	31.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$2,685	$2,569	$2,611	$2,654	$2,700	$3,172	$3,090	$3,093	$2,979	$2,844	$2,683
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$972	$1,189	$1,051	$906	$753	($356)	($233)	($308)	($125)	$105	$387
INVESTMENT EVALUATION													
NPV			($13,255)										
TAX CREDIT													
Tax Credit Share	$10,450												
Max Annual Allowable Credit	$20,150												
Tax Credit Balance			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)			$2,685	$2,569	$2,611	$2,654	$2,700	$3,172	$3,090	$3,093	$2,979	$2,844	$2,683
Historic Rehabilitation Tax Credit			$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$13,135	$2,569	$2,611	$2,654	$2,700	$3,172	$3,090	$3,093	$2,979	$2,844	$2,683
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$14,849	$1,189	$1,051	$906	$753	($356)	($233)	($308)	($125)	$105	$387
INVESTMENT EVALUATION													
NPV			($1,631)										

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'l.)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,164)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	34.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$2,945	$2,818	$2,864	$2,911	$2,961	$3,479	$3,389	$3,393	$3,267	$3,119	$2,943
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,232	$1,437	$1,304	$1,163	$1,014	($49)	$66	($9)	$163	$380	$646

INVESTMENT EVALUATION	
NPV	($10,510)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$10,450											
Tax Credit Balance		$2,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$2,945	$2,818	$2,864	$2,911	$2,961	$3,479	$3,389	$3,393	$3,267	$3,119	$2,943
Historic Rehabilitation Tax Credit		$7,505	$2,945	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$10,450	$5,763	$2,864	$2,911	$2,961	$3,479	$3,389	$3,393	$3,267	$3,119	$2,943
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$12,164	$4,383	$1,304	$1,163	$1,014	($49)	$66	($9)	$163	$380	$646

INVESTMENT EVALUATION	
NPV	$850

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'L)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,947)	($45,869)	($43,275)
INVESTOR													
Tax Rate	36.00%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$3,119	$2,984	$3,032	$3,083	$3,135	$3,684	$3,588	$3,592	$3,459	$3,303	$3,116
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,405	$1,603	$1,472	$1,334	$1,189	$156	$265	$191	$356	$563	$819

INVESTMENT EVALUATION	
NPV	($8,681)

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$23,400											
Tax Credit Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$3,119	$2,984	$3,032	$3,083	$3,135	$3,684	$3,588	$3,592	$3,459	$3,303	$3,116
Historic Rehabilitation Tax Credit		$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$13,569	$2,984	$3,032	$3,083	$3,135	$3,684	$3,588	$3,592	$3,459	$3,303	$3,116
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$15,282	$1,603	$1,472	$1,334	$1,189	$156	$265	$191	$356	$563	$819

INVESTMENT EVALUATION	
NPV	$2,893

TAX SCHEDULE			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income			($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)			($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'L)			($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense			($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)			($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,168)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR													
Tax Rate	39.60%												
Percent Ownership	20%												
Equity Invested	$19,750												
PASSIVE LOSS (GAIN)													
Tax Loss Share (Tax)			$3,430	$3,282	$3,335	$3,391	$3,448	$4,053	$3,947	$3,952	$3,805	$3,633	$3,427
Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1		($19,750)	$1,717	$1,902	$1,775	$1,642	$1,502	$524	$624	$556	$701	$894	$1,131
INVESTMENT EVALUATION													
NPV			($5,388)										
TAX CREDIT													
Tax Credit Share	$10,450												
Max Annual Allowable Credit	$25,740												
Tax Credit Balance			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)			$3,430	$3,282	$3,335	$3,391	$3,448	$4,053	$3,947	$3,952	$3,805	$3,633	$3,427
Historic Rehabilitation Tax Credit			$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit			$13,880	$3,282	$3,335	$3,391	$3,448	$4,053	$3,947	$3,952	$3,805	$3,633	$3,427
Investor's Share of Operating Cash Flow			($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2			$15,594	$1,902	$1,775	$1,642	$1,502	$524	$624	$556	$701	$894	$1,131
INVESTMENT EVALUATION													
NPV			$6,186										

CRTA 50%

TAX SCHEDULE		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Operating Income		($8,568)	($6,903)	($7,800)	($8,742)	($9,732)	($17,643)	($16,615)	($17,007)	($15,519)	($13,695)	($11,482)
Less: Depreciation (Comm'l.)		($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)	($3,071)
Less: Depreciation (Res'l.)		($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)	($8,510)
Interest Expense		($23,165)	($22,958)	($22,733)	($22,491)	($22,228)	($21,945)	($21,638)	($21,306)	($20,947)	($20,593)	($20,212)
Pre-Tax Profit (Loss)		($43,314)	($41,441)	($42,114)	($42,813)	($43,541)	($51,169)	($49,834)	($49,894)	($48,047)	($45,869)	($43,275)
INVESTOR												
Tax Rate	50.00%											
Percent Ownership	20%											
Equity Invested	$19,750											
PASSIVE LOSS (GAIN)												
Tax Loss Share (Tax)		$4,331	$4,144	$4,211	$4,281	$4,354	$5,117	$4,983	$4,989	$4,805	$4,587	$4,327
Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 1	($19,750)	$2,618	$2,764	$2,651	$2,533	$2,408	$1,588	$1,660	$1,588	$1,701	$1,848	$2,031

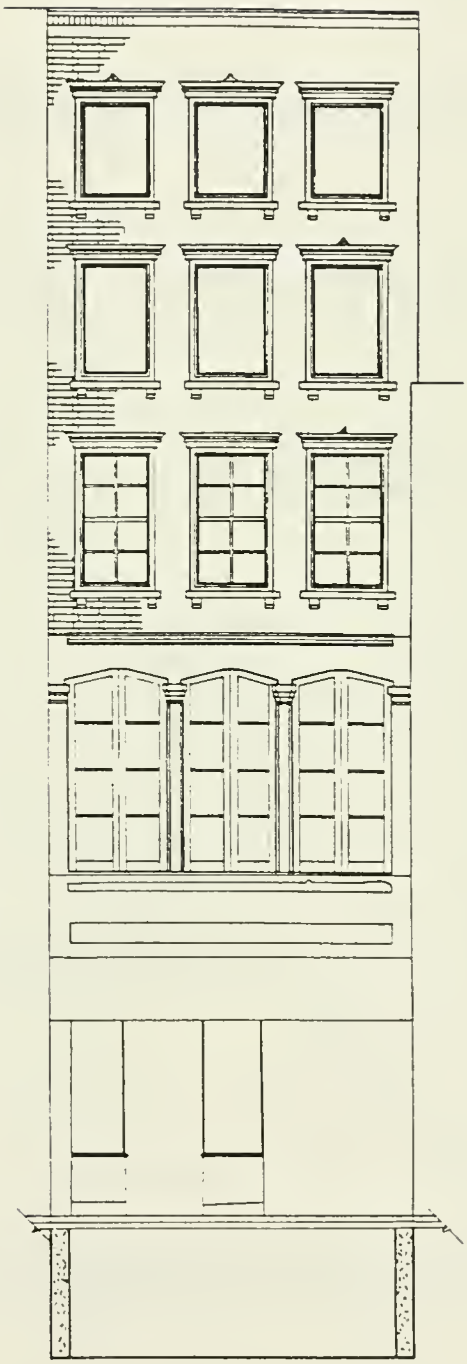
INVESTMENT EVALUATION	
NPV	$4,125

TAX CREDIT		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Tax Credit Share	$10,450											
Max Annual Allowable Credit	$32,500											
Tax Credit Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Operating Loss Deduction (Tax)		$4,331	$4,144	$4,211	$4,281	$4,354	$5,117	$4,983	$4,989	$4,805	$4,587	$4,327
Historic Rehabilitation Tax Credit		$10,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Tax Benefit		$14,781	$4,144	$4,211	$4,281	$4,354	$5,117	$4,983	$4,989	$4,805	$4,587	$4,327
Investor's Share of Operating Cash Flow		($1,714)	($1,381)	($1,560)	($1,748)	($1,946)	($3,529)	($3,323)	($3,401)	($3,104)	($2,739)	($2,296)
After Tax Cash Flow 2		$16,495	$2,764	$2,651	$2,533	$2,408	$1,588	$1,660	$1,588	$1,701	$1,848	$2,031

INVESTMENT EVALUATION	
NPV	$15,699

EXHIBIT Aii: Measured Drawings of Third Street Jazz Building

EXHIBIT Aii: Front Facade



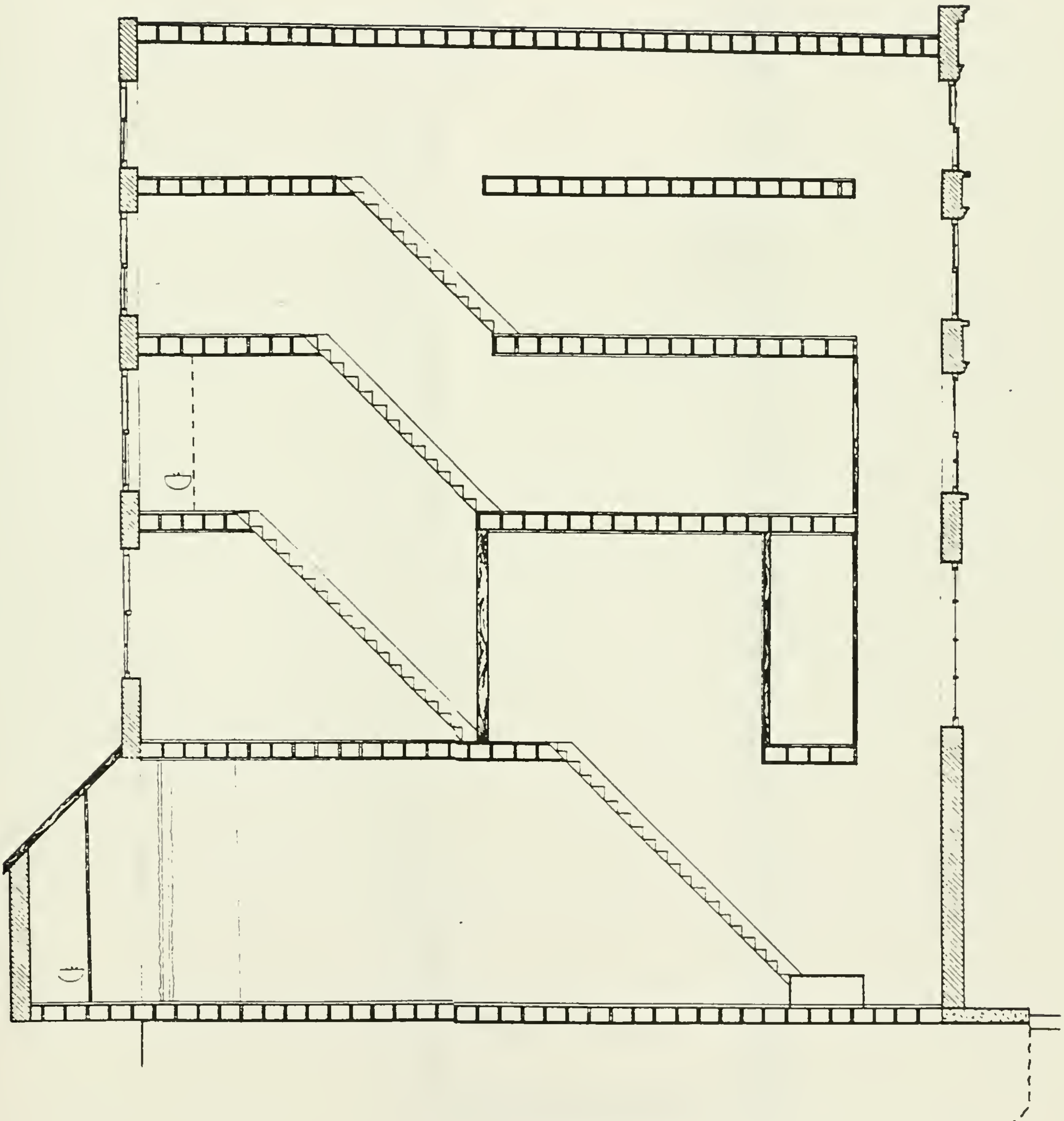


EXHIBIT A11: Basement Plan

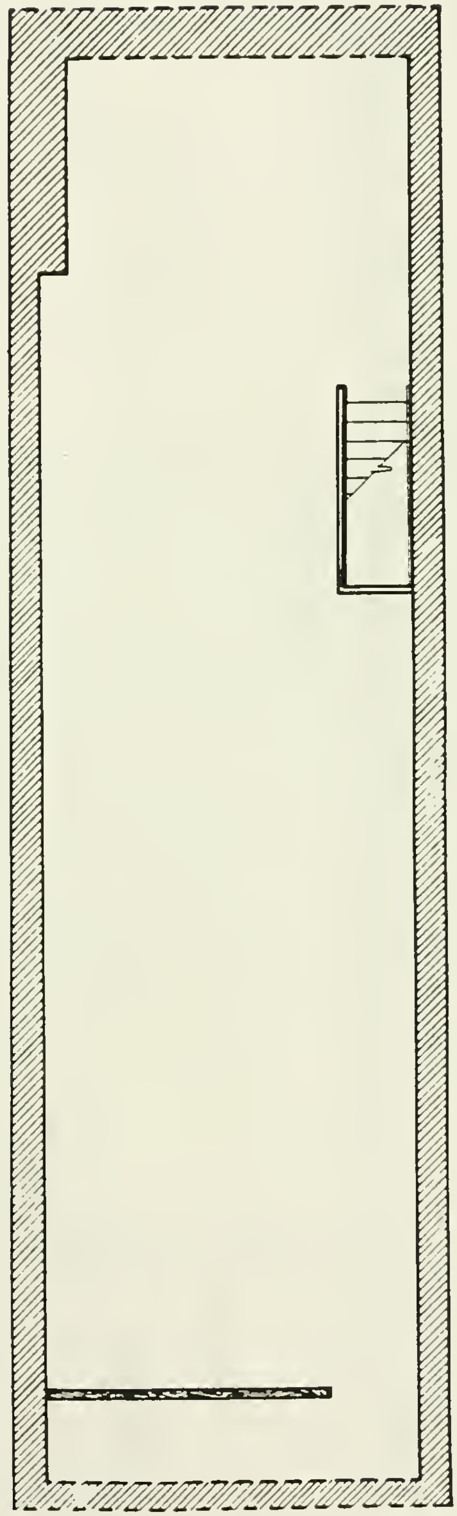
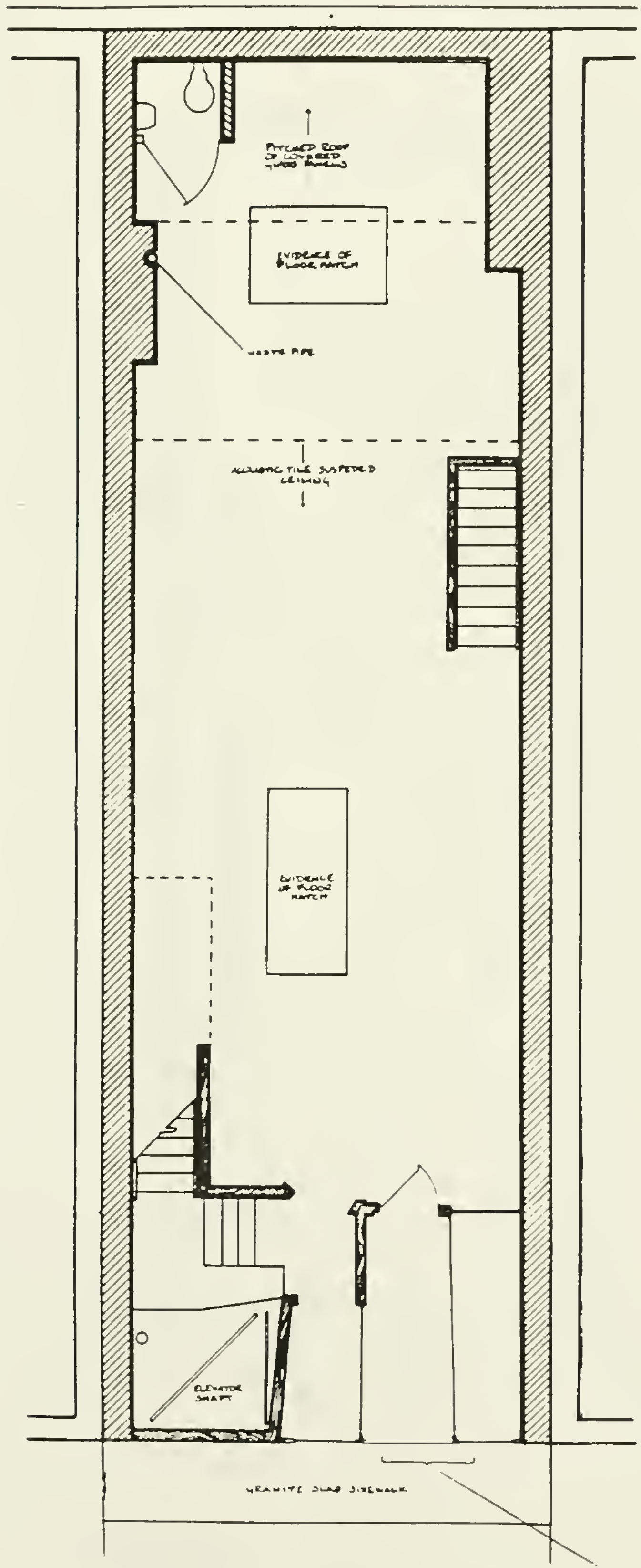


EXHIBIT Aii:Ground Floor Plan



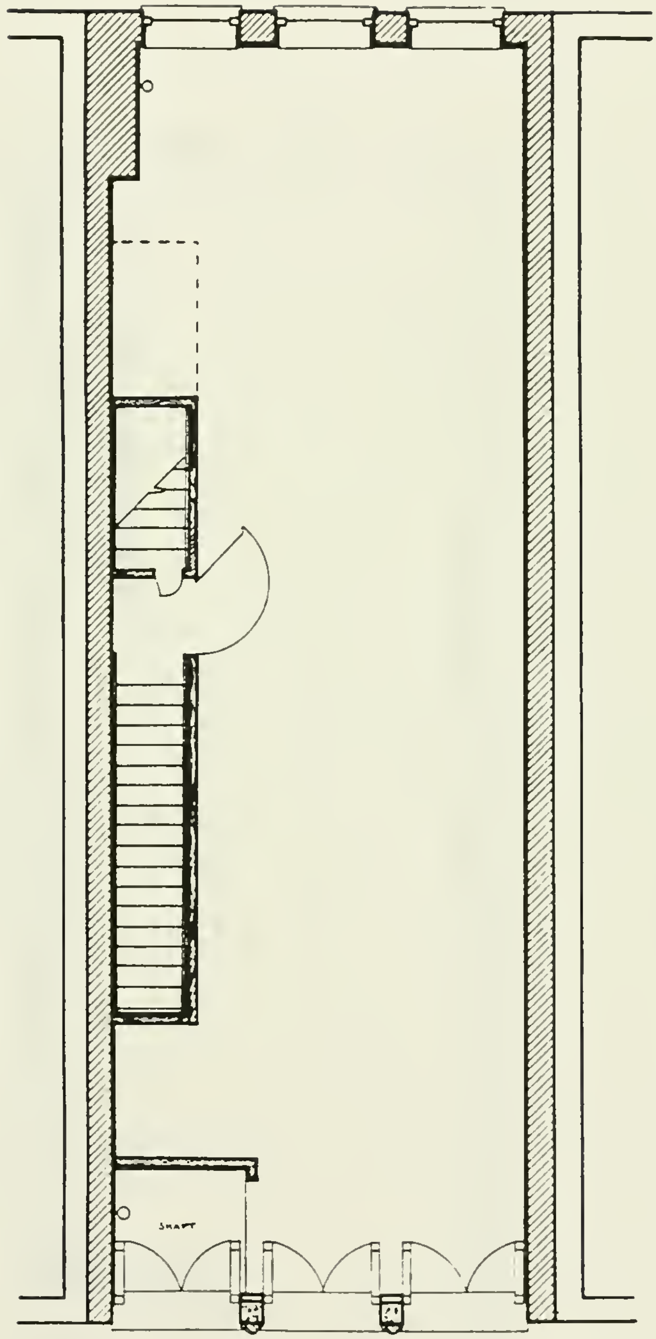

SHAFT

EXHIBIT Aii: Second Floor Plan

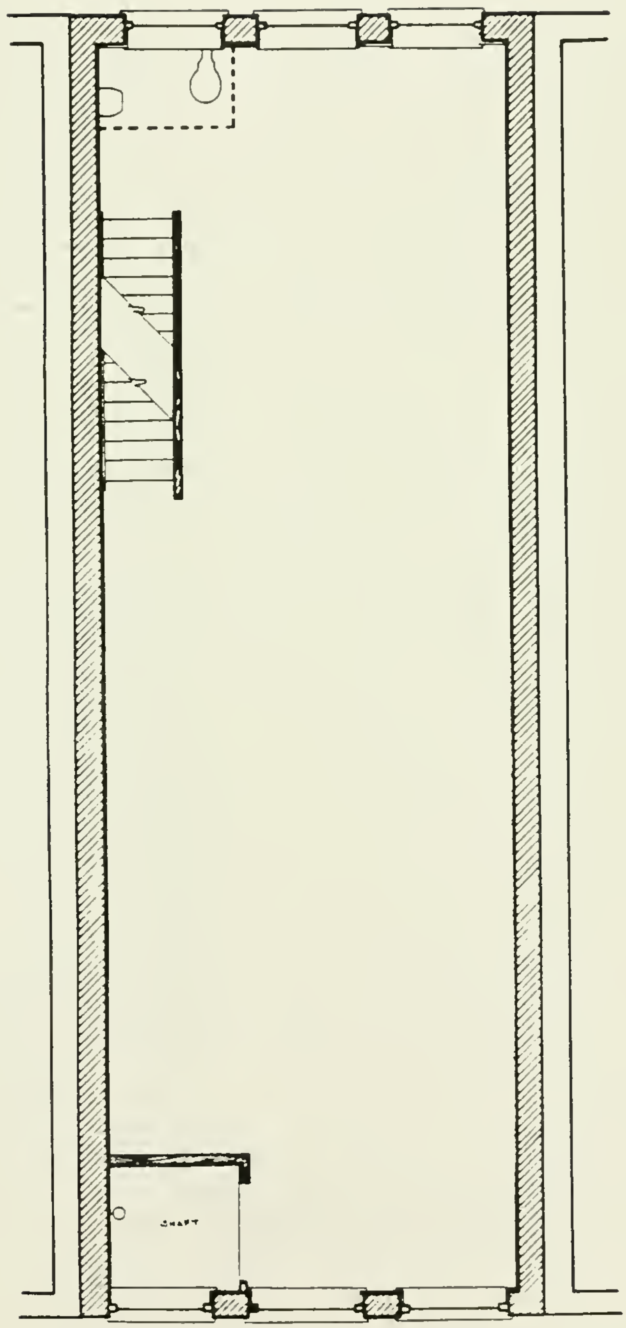


EXHIBIT Aii: Roof Plan

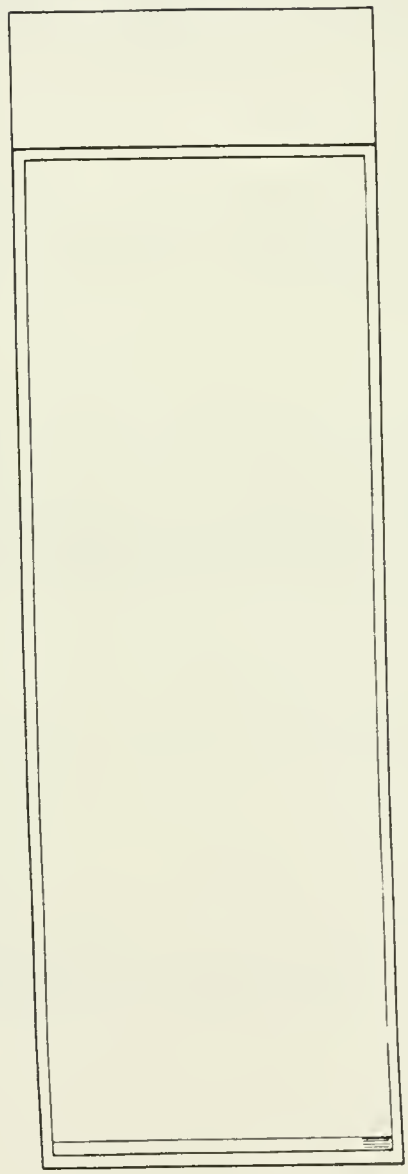


EXHIBIT B

NPS Form 10-900
(Oct 1990)

OMB No 10024-0018

United States Department of the Interior
National Park Service

National Register of Historic Places Registration Form

This form is for use in nominating or requesting determinations for individual properties and districts. See instructions in *How to Complete the National Register of Historic Places Registration Form* (National Register Bulletin 16A) Complete each item by marking "x" in the appropriate box or by entering the information requested. If an item does not apply to the property being documented, enter "N/A" for "not applicable." For functions, architectural classification, materials, and areas of significance, enter only categories and subcategories from the instructions. Place additional entries and narrative items on continuation sheets (NPS Form 10-900a). Use a typewriter, word processor, or computer, to complete all items.

1. Name of Property

historic name ______________________________

other names/site number ______________________________

2. Location

street & number ______________________________ ☐ not for publication

city or town ______________________________ ☐ vicinity

state ____________ code ____ county ____________ code ____ zip code ______

3. State/Federal Agency Certification

As the designated authority under the National Historic Preservation Act, as amended, I hereby certify that this ☐ nomination ☐ request for determination of eligibility meets the documentation standards for registering properties in the National Register of Historic Places and meets the procedural and professional requirements set forth in 36 CFR Part 60. In my opinion, the property ☐ meets ☐ does not meet the National Register criteria I recommend that this property be considered significant ☐ nationally ☐ statewide ☐ locally (☐ See continuation sheet for additional comments.)

____
Signature of certifying official/Title Date

____
State of Federal agency and bureau

In my opinion, the property ☐ meets ☐ does not meet the National Register criteria (☐ See continuation sheet for additional comments.)

____
Signature of certifying official/Title Date

____
State or Federal agency and bureau

4. National Park Service Certification

I hereby certify that the property is	Signature of the Keeper	Date of Action
☐ entered in the National Register. ☐ See continuation sheet.		
☐ determined eligible for the National Register ☐ See continuation sheet.		
☐ determined not eligible for the National Register.		
☐ removed from the National Register		
☐ other, (explain:) ____________		

Name of Property

County and State

5. Classification

Ownership of Property
(Check as many boxes as apply)

- ☐ private
- ☐ public-local
- ☐ public-State
- ☐ public-Federal

Category of Property
(Check only one box)

- ☐ building(s)
- ☐ district
- ☐ site
- ☐ structure
- ☐ object

Number of Resources within Property
(Do not include previously listed resources in the count.)

Contributing	Noncontributing	
		buildings
		sites
		structures
		objects
		Total

Name of related multiple property listing
(Enter "N/A" if property is not part of a multiple property listing.)

Number of contributing resources previously listed in the National Register

6. Function or Use

Historic Functions
(Enter categories from instructions)

Current Functions
(Enter categories from instructions)

7. Description

Architectural Classification
(Enter categories from instructions)

Materials
(Enter categories from instructions)

foundation

walls

roof

other

Narrative Description
(Describe the historic and current condition of the property on one or more continuation sheets.)

Name of Property

County and State

8. Statement of Significance

Applicable National Register Criteria
(Mark "x" in one or more boxes for the criteria qualifying the property for National Register listing.)

☐ **A** Property is associated with events that have made a significant contribution to the broad patterns of our history.

☐ **B** Property is associated with the lives of persons significant in our past.

☐ **C** Property embodies the distinctive characteristics of a type, period, or method of construction or represents the work of a master, or possesses high artistic values, or represents a significant and distinguishable entity whose components lack individual distinction.

☐ **D** Property has yielded, or is likely to yield, information important in prehistory or history.

Criteria Considerations
(Mark "x" in all the boxes that apply.)

Property is:

☐ **A** owned by a religious institution or used for religious purposes.

☐ **B** removed from its original location.

☐ **C** a birthplace or grave.

☐ **D** a cemetery.

☐ **E** a reconstructed building, object, or structure.

☐ **F** a commemorative property.

☐ **G** less than 50 years of age or achieved significance within the past 50 years.

Areas of Significance
(Enter categories from instructions)

Period of Significance

Significant Dates

Significant Person
(Complete if Criterion B is marked above)

Cultural Affiliation

Architect/Builder

Narrative Statement of Significance
(Explain the significance of the property on one or more continuation sheets.)

9. Major Bibliographical References

Bibilography
(Cite the books, articles, and other sources used in preparing this form on one or more continuation sheets.)

Previous documentation on file (NPS):

☐ preliminary determination of individual listing (36 CFR 67) has been requested
☐ previously listed in the National Register
☐ previously determined eligible by the National Register
☐ designated a National Historic Landmark
☐ recorded by Historic American Buildings Survey # ____________
☐ recorded by Historic American Engineering Record # ____________

Primary location of additional data:

☐ State Historic Preservation Office
☐ Other State agency
☐ Federal agency
☐ Local government
☐ University
☐ Other

Name of repository:

Name of Property ______________ County and State ______________

10. Geographical Data

Acreage of Property ______________

UTM References
(Place additional UTM references on a continuation sheet.)

	Zone	Easting	Northing		Zone	Easting	Northing
1				3			
2				4			

☐ See continuation sheet

Verbal Boundary Description
(Describe the boundaries of the property on a continuation sheet.)

Boundary Justification
(Explain why the boundaries were selected on a continuation sheet.)

11. Form Prepared By

name/title ______________

organization ______________ date ______________

street & number ______________ telephone ______________

city or town ______________ state ______________ zip code ______________

Additional Documentation

Submit the following items with the completed form

Continuation Sheets

Maps

A **USGS map** (7.5 or 15 minute series) indicating the property's location.

A **Sketch map** for historic districts and properties having large acreage or numerous resources.

Photographs

Representative **black and white photographs** of the property.

Additional items
(Check with the SHPO or FPO for any additional items)

Property Owner

(Complete this item at the request of SHPO or FPO).

name ______________

street & number ______________ telephone ______________

city or town ______________ state ______________ zip code ______________

Paperwork Reduction Act Statement: This information is being collected for applications to the National Register of Historic Places to nominate properties for listing or determine eligibility for listing, to list properties, and to amend existing listings. Response to this request is required to obtain a benefit in accordance with the National Historic Preservation Act, as amended (16 U.S.C. 470 *et seq.*)

Estimated Burden Statement: Public reporting burden for this form is estimated to average 18.1 hours per response including time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding this burden estimate or any aspect of this form to the Chief, Administrative Services Division, National Park Service, P.O. Box 37127, Washington, DC 20013-7127, and the Office of Management and Budget, Paperwork Reductions Projects (1024-0018), Washington, DC 20503.

EXHIBIT C

UNITED STATES DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

HISTORIC PRESERVATION CERTIFICATION APPLICATION
Instructions

This application is to be filled out in accordance with regulations set forth in Chapter 1, Title 36 of the Code of Federal Regulations, part 67, and the instructions given below. (Pursuant to section 48(g) and 170(h) of the Internal Revenue Code of 1986.) The regulations shall take precedence in the event of any inconsistency with the requirements expressed in this application. National Park Service approval of applications and amendments to applications is conveyed *only in writing* by duly authorized officials of the Federal Government. The decision by the National Park Service with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application forms shall take precedence. Normally, two copies of this application are required; one to be retained by the State Historic Preservation Officer (SHPO) and the other by the National Park Service (NPS). Photographs, architectural plans, drawings and other materials submitted with this application become the property of the National Park Service and may be reproduced by it without permission.

In this package:

Instructions for the Historic Preservation Certification Application
List of National Park Service Regional Offices
Part 1—Evaluation of Significance
Part 2—Description of Rehabilitation
Continuation/Amendment Sheet
Request for Certification of Completed Work

Read the following instructions carefully before filling out the attached application. Type or print clearly in black ink. In cases where adequate documentation is not provided, review and evaluation cannot be completed, resulting in denial of the requested certification.

HISTORIC PRESERVATION CERTIFICATIONS

Federal historic preservation tax incentives are available for any qualified project that the Secretary of the Interior designates as a certified rehabilitation of a certified historic structure. These incentives are available pursuant to section 48(g) of the Internal Revenue Code of 1986, 90 Stat. 1519, as amended by 100 Stat. 2085, and section 170(h) of the Internal Revenue Code of 1986, 94 Stat. 3204. Federal income and estate tax deductions for charitable contributions of partial interests in a historic property designated a certified historic property are also available.

A *certified historic structure* is any structure, subject to depreciation as defined by the Internal Revenue Code, that is:

- listed individually in the National Register of Historic Places; or,
- located in a registered historic district and certified by the Secretary of the Interior as contributing to the historic significance of the district.

For purposes of the charitable contributions provisions only, a certified historic structure need not be a building nor be depreciable to qualify.

A *registered historic district* is any district listed in the National Register or any district which is designated under a state or local statute which has been certified by the Secretary of the Interior as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of significance to the district; and which is certified by the Secretary as meeting substantially all of the requirements for the listing of districts in the National Register.

A *certified rehabilitation* is:

- any rehabilitation of a certified historic structure which the Secretary has certified to the Secretary of the Treasury as being consistent with the historic character of such structure and, where applicable, with the district in which such structure is located.

The Internal Revenue Code limits the tax incentives for rehabilitation to depreciable structures, i.e., buildings used in a trade or business or held for the production of income, such as commercial or rental residential properties. Non-depreciable structures may qualify as certified historic structures only if they are the subject of charitable contributions for conservation purposes.

Owners of properties listed either individually or within districts in the National Register of Historic Places (a list maintained by the Department of the Interior) are eligible to apply for certifications. Owners of properties located in state or local districts may also apply for certifications if the statutes establishing those districts have been certified by the Secretary of the Interior and the districts have been certified by the Secretary as substantially meeting the National Register Criteria for Evaluation.

To qualify for the tax incentives, property owners must complete the appropriate part or parts of the Historic Preservation Certification Application. Completed applications are sent first to the State Historic Preservation Officer (SHPO). The SHPO will forward applications to the appropriate NPS regional office, generally with a recommendation. State recommendations are generally followed, but by law all certification decisions are made by NPS on behalf of the Secretary. The NPS decision may differ from the recommendation of the SHPO. Applications may be sent at any time during the year and may be sent separately or together (if the two parts are sent separately, Part 1 *must* precede Part 2). Simultaneous submission of Parts 1 and 2, however, permits a more expeditious review. Part 2 will not be processed until an adequately documented Part 1 is on file and acted upon, unless the property is already individually listed in the National Register.

A current list of SHPOs, the regulations referenced above, or additional copies of this application may be obtained by contacting one of the NPS regional offices listed at the end of these instructions. *Applicants are strongly encouraged to submit applications describing proposed work and to receive approval from the NPS prior to the start of construction. Owners who undertake rehabilitation projects without prior approval from the National Park Service do so at their own risk.*

Under the procedures outlined in 36 CFR Part 67, Parts 1 and 2 of this application will each generally be reviewed within 60 days of receipt of a completed, adequately documented application (30 days at the State level and 30 days at the Federal level). Questions concerning the review status of specific applications should be addressed to the appropriate NPS regional office. Notification as to certification will be made in writing by the NPS. A copy of each notification is provided to the Internal Revenue Service and the SHPO.

Continuation/Amendment Sheets. Use Continuation/Amendment Sheets or blank sheets of paper as needed to provide information concerning special considerations, to continue sections of the application for which additional space is needed, or to amend an application that has already been submitted. On each sheet include property name and address. Indicate "Part 1" or "Part 2" at the top of the sheet. Give the item number continued from the application and provide information in the same format as on the application.

PART 1—EVALUATION OF SIGNIFICANCE

The Historic Preservation Certification Application—Part 1 is used for the following purposes:

- to request certification that a depreciable building contributes to the significance of a registered historic district and therefore qualifies as a "certified historic structure" for the purpose of rehabilitation;
- to request certification that a depreciable or non-depreciable structure or building, and, where appropriate, the land area on which such a structure or building is located contributes to the significance of the registered historic district in which it is located, for a charitable contribution for conservation purposes;
- to request certification that a building does not contribute to the significance of the registered historic district in which it is located;
- to request a preliminary determination of whether an individual building not yet on the National Register meets the National Register Criteria for Evaluation and will likely be listed in the National Register when nominated according to the procedures set forth in 36 CFR Part 60;
- to request a preliminary determination that a building located within a potential historic district contributes to the significance of the district;
- to request a preliminary determination that a building outside the period or area of significance of a registered historic district contributes to the significance of the district.

Owners of buildings individually listed in the National Register need not complete Part 1 in most cases. (Verification of National Register listing may be obtained from the SHPO or the listing of National Register entries in the *Federal Register*). However, owners of properties containing more than one building must submit a single Part 1 application that describes all the buildings within the listing. Owners must report to the NPS through the SHPO any substantial damage, alteration or change to a property that occurs after issuance of a certification of significance and prior to a final certification of rehabilitation.

Evaluation of the Application. The documentation in Part 1 applications for buildings within districts must be sufficient: 1) to make a judgment about how the building relates to the district as a whole, and 2) to determine what particular features of the building comprise its historic character. In compiling this information it is helpful to consult the National Register nomination for the district on file at the office of the State Historic Preservation Officer or the district documentation at the local historical commission or state office for certified districts. *It should not be necessary in most cases for the applicant to do detailed research to describe the building and to provide a statement of significance.* Owners of buildings which appear to meet National Register criteria but are not yet listed in the National Register, or which are located within potential historic districts, may request preliminary determinations from the NPS as to whether such buildings may qualify as certified historic structures when the buildings or the districts in which they are located are listed in the National Register. Preliminary determinations may also be requested for buildings outside the period or area of significance of a registered historic district. Such requests will be reviewed for conformance with National Register criteria published in 36 CFR Part 60 and/or the Secretary's Standards for Evaluating Significance within Registered Historic Districts. These requests will be considered only if the submitted documentation substantially meets the requirements detailed in 36 CFR 60 and NPS instructions on completing National Register nomination forms (available from the State Historic Preservation Officer or the NPS regional offices). Preparing such applications generally requires professional expertise in history, architectural history, or related disciplines. Such determinations are preliminary only and are not binding upon the NPS. Preliminary determinations ordinarily become final as of the date of the listing of the individual building or district in the National Register, or for buildings outside the period or area of significance of a registered historic district, when the nomination or district documentation is formally

The Secretary of the Interior's Standards for Evaluating Significance within Registered Historic Districts

1. A building contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling and association adds to the district's sense of time and place and historical development.

2. A building not contributing to the historic significance of a district is one which does not add to the district's sense of time and place and historical development; or one where the location, design, setting, materials, workmanship, feeling and association have been so altered or have so deteriorated that the overall integrity of the property has been irretrievably lost.

3. Ordinarily buildings that have been built within the past 50 years shall not be considered to contribute to the significance of a district unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

amended. This requires: 1) the State Historic Preservation Officer to amend the National Register nomination and for the amended nomination to be approved by the NPS; or 2) the state or local jurisdiction for certified historic districts to amend the district documentation and obtain NPS approval. See National Register Bulletin No. 19, "National Park Service Procedures and Policies for Processing National Register Nominations," for further information.

COMPLETING PART 1

1. **Name of property.** Provide the name of the property. Generally this is its street address. When the building is known by a historic name, such as the Boston Manufacturing Company, or is called by its historic name in the district documentation, include that name also. Provide a complete address, including street, city, county, state and zip code for the property under consideration. If the building is located within a registered historic district, provide the name of the district and check the type of district. Consult the State Historic Preservation Officer for the correct name of the district.

2. **Nature of request.** Check box appropriate for your certification request.

3. **Project contact.** Provide the name, address and daytime telephone number of the person to whom inquiries regarding specifics of the application should be made.

4. **Owner.** Give the owner's name. Sign and date the application. If the owner is a corporation or partnership, give both the name of that entity and the name of the person who signs the form. Give the owner's Social Security or Taxpayer Identification Number. Provide the owner's address and daytime telephone number. If the property has multiple owners, their names, addresses, and Social Security or Taxpayer Identification Numbers must be listed on a continuation sheet. Long-term lessees may apply if a letter from the owner accompanies the application, indicating knowledge of the application and concurrence with its submission.

5. **Description of physical appearance.** Provide information about the major features of the building on *both the exterior and the interior*. Describe the building in its *present* condition (before rehabilitation), not as it was when first built nor as it will be after rehabilitation. Note the architectural style, exterior construction materials (wood, brick, etc.), type of roof (flat, gable, hipped, etc.), number of stories, basic plan (rectangular, irregular, L-shaped, etc.), and distinguishing architectural features (placement and type of windows, chimneys, porches, decorative interior features or spaces). Fully describe any changes that have been made to the building since its original construction—for example, additions, porch enclosures, new storefronts, relocation of doors and windows, and alterations to the interior. Other buildings on the property such as carriage houses, barns, and sheds should also be fully described. (See "Special Considerations: Multiple Buildings" on page 4.) Finally, discuss the way in which the building relates to others in the district or neighborhood in terms of siting, scale, material, construction, and date.

Provide date of construction, if available, or indicate the approximate date. Give the source of the date, which may be a map, the district nomination, a building permit or other official document, or a former owner. State the approximate dates of alterations, and check whether or not the building has been moved.

If the request for certification is for a charitable contribution for conservation purposes and is for a structure or building with surrounding land area, the land area should be described. Boundaries of the land area should be specifically defined.

EXAMPLE—Building within a registered historic district: This three-story, flat-roofed, unpainted brick building, rectangular in shape, was constructed in 1850. It features regularly-spaced arched windows on the second and third floors (6 openings on the east elevation have been filled in over the years, exact date unknown), 2-over-2 double-hung sash, and a prominent bracket cornice. The first floor of the facade has been altered: the existing storefront dates from ca. 1950. On the interior, the first floor is divided into two principal spaces—a large commercial space in front and a smaller office behind. The front room was modernized in the 1950's and contains no surviving historic fabric except for a simple wooden staircase running along the party wall. A pressed metal ceiling is the most prominent feature in the rear office; baseboards, panelled doors, and window and door surrounds also survive in this room. The upper floors have two rooms each, identical in configuration to the first floor; these rooms retain their original appearance, although they contain no architectural detailing of any kind (see photographs).

6. **Statement of significance.** Summarize how the building contributes to the significance of the district. This summary should relate to the significance of the district (including the district's period of significance) as identified in the National Register nomination or district documentation. This statement of significance should also relate to the Secretary of the Interior's Standards for Evaluating Significance within Registered Historic Districts, given on page 2. Is it similar to other buildings in the district in scale, building materials, style, and period of construction? Note important figures from the past associated with the building, former uses of the property, and the name of the architect or builder, if known.

If the request for certification is for a charitable contribution for conservation purposes and is for a structure or building with surrounding land area, the importance of the land area to the structure or building should be described.

EXAMPLE—Building within a registered historic district: The district is an intact grouping of architecturally significant commercial and industrial buildings constructed between 1850 and 1915 that display a variety of styles and types of architectural ornamentation popular during this era. The district is also significant as an early manufacturing and distribution center which led to the city's growth as one of the largest cities in the state. Industrial growth in the late 19th and early 20th centuries required the construction of larger buildings and several still exist within the boundaries of the district (see photographs). This modest three-story building is typical in appearance and history of the majority of the buildings in the district. It was originally built for manufacturing buttons, but was converted into a store with offices above during the 1880's when wholesaling grew as an important new activity in the district. The building is similar to its neighbors in size, scale, materials, and style.

7. **Photographs and maps.** Provide *good, clear photographs* of the building and its surroundings as they appeared *before* rehabilitation. Good photographic coverage is a very important part of the application. Photographs supplement, and to some extent may substitute for, some of the descriptive material in number 5. They should show all elevations of the building, views of the building in its setting on the street, and representative interior spaces and features.

Photographs should be numbered, dated and labeled with the property name, the view (e.g., east side), and a brief description of what is shown. Photographs should be keyed to the application narrative and sketch map, where appropriate.

Provide a map of the historic district, clearly identifying the lot on which the building is located; this is necessary to verify the building's eligibility for the preservation tax provisions. If certification is being sought for one of a group of buildings that are listed together in the National Register, a site plan of the group indicating which of the buildings is under consideration is necessary. For buildings under preliminary consideration for individual listing, a site plan is necessary.

If the request for certification is for a charitable contribution for conservation purposes and is for a structure or building with surrounding land area, include a map specifically defining the boundaries and photographs of the land area.

Special Considerations. Applicants should read carefully the following information about certain special considerations that may apply to their particular case. If a building is in one or more of the categories described below, additional information will be necessary. If this information is provided at the outset, the review process should not be delayed.

Certifications of non-significance. A certification of non-significance is a judgment that a building does not contribute to the significance of a district. The application must clearly demonstrate, therefore, that the building lacks the characteristics that contributing buildings in the district possess. The applicant must show how the building compares to others in its immediate neighborhood and to the district as a whole. The documentation must address changes that have been made to the building since its construction. Good photographs are essential; historic photographs should also be provided if possible. When certification of non-significance is requested on the grounds that the building is so deteriorated that the overall integrity of the property has been lost, it may be necessary to submit a structural engineer's report and additional information to document physical deterioration or structural damage.

Moved Buildings. An applicant must provide additional information to support a certification application for a building that has been moved or is a candidate for moving. Such documentation must discuss: 1) the effect of the move on the building's appearance (any proposed demolition, proposed changes in foundations, etc.); 2) the new setting and general environment of the proposed site; 3) the effect of the move on the distinctive historic and visual character of the district; 4) the method to be used for moving the building. Such documentation must also include photographs showing the previous and proposed environments, including sites, adjacent buildings, and streetscapes. For buildings individually listed in the National Register, the procedures published in 36 CFR Part 60 must be followed prior to the move, or the buildings will be removed from the National Register, will not be considered certified historic structures, and will have to be renominated for listing.

Properties less than 50 years old. Properties less than 50 years old are generally considered not to contribute to the significance of a district and are excluded from individual listing in the National Register. Properties in this category, however, may be certified if they are shown to be integral parts of a historic district and the historical attributes of the district are considered to be less than 50 years old, or if they are exceptionally significant. For this reason, Standard 3 of the Secretary of the Interior's Standards for Evaluating Significance within Registered Historic Districts requires that to contribute, such properties must possess exceptional historic or architectural merit or the district must encompass significant qualities and characteristics that are less than 50 years old. Documentation for these properties must explain how the property meets the requirements. For information on the individual listing of properties less than 50 years old, refer to National Register Bulletin No. 22, "How to Evaluate and Nominate Potential National Register Properties That Have Achieved Significance within the Last 50 Years" (available from the SHPO or from the NPS regional offices).

Multiple Buildings. Properties containing more than one building where the buildings are functionally related historically to serve an overall purpose, such as a mill complex or a residence and carriage house, will be treated as a single certified historic structure when the property is rehabilitated as part of an overall project. This will apply whether the property is individually listed in the National Register or located in a registered historic district. Generally, a single application form may be used to request certification for these buildings. Documentation, however, must be submitted for every building to be considered for certification. For instance, if a house and carriage house are both to be certified, a single application may be used but a description and a statement of significance and full photographic coverage of each building must be provided. The owner should state explicitly which buildings are candidates for certification of significance or for certification of non-significance. A sketch map or site plan should be provided to show the current relationship of the buildings. A single application may also be made to request certification in cases where a property is composed of buildings that were functionally related historically to serve an overall purpose (such as a mill complex or an industrial plant). In these cases, the complex will be treated as a single certification and proposals for demolition of components will be considered in the review of rehabilitation work. If buildings are under separate ownership, however, a separate Part 1 application must be filled out by each owner.

Preliminary Determinations. Applications for preliminary determinations must contain substantially the same level of documentation as National Register nominations, as specified in 36 CFR 60 and NPS instructions on completing National Register nomination forms (available from the SHPO or the NPS regional offices). Applications for preliminary determinations for individual listing must show how the building individually meets the National Register Criteria for Evaluation. Specific information about the events, persons, architectural styles, or methods of construction that make the property significant in American history, architecture, archeology, engineering, or culture should be provided. The statement of significance should specifically identify the historic function of the property, the historic themes represented by the property, the period of time when the property played a significant role or acquired significance, and the physical qualities that enable the property to convey its historic significance. An application for a building located in a potential historic district must describe the district and document how the district meets the criteria and how the building contributes to the significance of that district. An application for a preliminary determination for a building in a registered historic district which is outside the period or area of significance in the district documentation on file with the NPS must document and justify the expanded significance of the district and how the building contributes to the significance of the district, or document the individual significance of the building. Applicants should consult NPS instructions on completing National Register nomination forms (available from the SHPO or the NPS regional offices) for guidance in preparing documentation.

PART 2—DESCRIPTION OF REHABILITATION WORK

The Historic Preservation Certification Application—Part 2 must be completed by all owners of certified historic structures seeking to have rehabilitations certified by the Secretary of the Interior as being consistent with the historic character of the structure and, where applicable, the district in which the structure is located, thus qualifying as a "certified rehabilitation." A fee for review of all Part 2 applications is charged (see "Processing Fees" page 8) and no certification decision will be issued until receipt of appropriate remittance. Part 2 may be used to describe proposed, ongoing, or completed rehabilitation work.

Whenever possible, Part 2 should be completed and submitted prior to the initiation of any rehabilitation work. Taxpayers will be notified in writing whether or not the proposed project is consistent with the Secretary of the Interior's "Standards for Rehabilitation" set forth in 36 CFR part 67.7 and given on page 6.

Proposed work that does not appear to be consistent with the Standards will be identified, and advice will be given to assist property owners, architects, or builders in bringing the project into conformance with the Standards.

Evaluation of the Application. All projects are reviewed and evaluated in accordance with the Secretary of the Interior's "Standards for Rehabilitation" (given below, page 6). These ten Standards are broadly worded to guide the rehabilitation of all historic structures, such as industrial complexes, warehouses, schools, commercial structures, and residences. The underlying concern expressed in the Standards is the preservation of significant historic materials and features of a building in the process of rehabilitation. The Standards apply with equal force to both interior and exterior work, and the NPS reviews the *entire* rehabilitation project (including any attached, adjacent or related new construction) rather than just a single segment of work. Certification is based on whether the overall project meets the Standards.

COMPLETING PART 2

1. **Name of property.** Provide the name of the property; this is generally its street address. If the building is known by a historic name, include the name also. (These names should be consistent with the names provided on Part 1 or on the National Register nomination.) Provide a complete address, including street, city, county, state and zip code for the building under consideration. Indicate by checking the appropriate box whether the property is individually listed or located in a registered historic district. If it is in a registered historic district, provide the name of the district. Consult the SHPO for the correct name of the property or the district. Indicate whether a Part 1 application has been submitted for the property; if so, give the date the application was submitted. If a Part 1 Certification has been received, give the date of the certification and the NPS project number.

2. **Data on building and rehabilitation project.** Provide date of construction, and the type of construction (e.g., masonry bearing wall, wood frame, steel frame, concrete). Give the use(s) of the building before rehabilitation (e.g., school/vacant); the proposed use after rehabilitation, and the estimated cost of the rehabilitation. If the application describes a phased project, give the number of the phase described in this application, and the total number of phases. Provide the estimated or actual project starting date, and the estimated or actual project completion date. Give the number of housing units before rehabilitation; the number of such units that are low-moderate income; the number of housing units after project completion, and the number of such units that are low-moderate income. Give the approximate floor area before rehabilitation in square feet, and approximate floor area after rehabilitation in square feet.

3. **Project contact.** Provide the neme, address, and daytime telephone number of the person to whom inquiries regarding specifics of project work should be directed.

4. **Owner.** Give the owner's name. Sign and date the application. If the owner is a corporation or partnership, give both the name of that entity and the name of the person who signs the form. Give the owner's Social Security or Taxpayer Identification Number. Provide the owner's address and daytime telephone number. If the property has multiple owners, their names, addresses, and Social Security or Taxpayer Identification Numbers must be listed on a continuation sheet. Long-term lessees may apply for certification if a letter from the owner accompanies the application, indicating knowledge of the application and concurrence with its submission.

5. **Detailed description of rehabilitation work.** In the numbered blocks, provide a description of project work. *Describe the entire project and not simply those portions for which the tax credit will be sought.* Begin by describing site work, followed by work on the exterior, including new construction, and finally work on the interior. A separate block should be used to describe each work item and its effect on architectural features or spaces (see examples on page 7).

In the left block, identify the architectural feature requiring work and indicate whether the feature described is original to the building, was added at a later date, or is new construction. Give approximate date of the feature. In the appropriate space describe the physical condition. Indicate photograph or drawing numbers that show the feature described.

In the right block, explain in detail the rehabilitation work to be undertaken. Describe the effect (visual, structural, or other) on existing features. List drawings, marked photographs, or specification page numbers that show the rehabilitation work and impact on the existing building.

Photographs. The applicant must submit a sufficient number of *good, clear photographs* with Part 2 to document *both* interior and exterior conditions, including site and environment, *prior* to any rehabilitation work and to show the areas of proposed or completed work. Photographs of "before" conditions must be submitted even if the rehabilitation is completed; such documentation is necessary for the NPS to evaluate the effect of the rehabilitation on the historic structure. *Where such documentation is not provided, review and evaluation cannot be completed, resulting in denial of the requested certification.* Elevations and interior features and spaces of the buildings should be shown. Photographs should be numbered, dated and labeled with the property name, the view (e.g., east side) and a brief description of what is shown; photographs should be keyed to the application narrative, where appropriate. In many cases, it may be helpful to mark directly on the photographs the areas of proposed or completed work. Photographs may be black and white or color, but must show architectural features *clearly*. Photographs are not returnable. Check with the SHPO about whether or not a duplicate set of photographs is required for state files.

The Secretary of the Interior's Standards for Rehabilitation

The Standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility. The application of these Standarda to rehabilitation projects is to be the same as under the previous version so that a project previously acceptable would continue to be acceptable under these Standards.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.

2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.

3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.

4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.

5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.

6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.

7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.

9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Drawings or sketches. Drawings or sketches are required for proposed work to show planned alterations or new construction. They must be sufficiently detailed to show existing wall configurations and anticipated changes. Documentation should include floor plans and, where necessary, sections and elevations. All drawings and sketches submitted with the application should be numbered and should be keyed to the application narrative.

Project Amendments. If changes are made to a project at any time after submission of the initial application, submit a continuation/amendment sheet. Provide the name and address of the property. Check the appropriate box noting whether the form amends or continues Part 1 or Part 2, and give the NPS project number assigned to the project (if known). Indicate changes in project work, giving the originally proposed treatment and the amended work item description. Give the owner's name. Sign and date the form. Give the owner's address and daytime telephone number. Return it to the SHPO. *Approval of amendments to applications is conveyed only in writing by duly authorized officials of the NPS.*

Special Rehabilitation Concerns. Several areas of special concern have been identified in reviewing and evaluating preservation tax incentives projects. The "Guidelines for Rehabilitating Historic Buildings" accompanying the Secretary of the Interior's "Standards for Rehabilitation" provide further guidance on these and other areas of concern. Owners should take care to address these concerns when undertaking work in any of the areas described below.

Storefront alterations. Justify changes to storefronts and provide photographs of the areas to be altered. Information should be provided on when the existing storefront was constructed; on what the existing physical conditions are; and if a historical treatment is planned, on what evidence the proposed new storefront designs are based. *Owners are strongly discouraged from introducing a storefront or new design element on the ground floor that alters the character of the structure and its relationship with the street or that causes destruction of significant historic material.*

New heating, ventilating, and air-conditioning (HVAC) systems. Indicate what effect the new equipment and ductwork will have on the historic building material. If the HVAC system requires removal of windows or portions of walls, describe alternative systems considered in the design process and why the proposed system was chosen. *Installation of systems that cause damage to the historic building material or cause visual loss of character may result in denial of certification.*

Examples

NUMBER 1	
Architectural feature: facade brick Approximate date of feature: ca. 1880 Describe existing feature and its condition: Hard pressed red brick with butter joints in good condition. Mortar mostly sound, but deteriorated and missing around downspout at east end of facade. Some graffiti at first floor. Photo no. 3, 6 Drawing no. ______	Describe work and impact on existing feature: Will selectively hand clean deteriorated joints and repoint with mortar and joint width to match existing (see spec. pp. 33-35); chemically clean graffiti from first floor piers (see spec. pp. 30-31).

NUMBER 2	
Architectural feature: main staircase Approximate date of feature: ca. 1880/unknown Describe existing feature and its condition: Original stair exists between 1st and 3rd floors. Some balusters missing and treads worn. Later stair from 3rd to 8th floors. Photo no. 9, 10 Drawing no. A-12	Describe work and impact on existing feature: Replace missing balusters with matching pieces. Sand painted banisters and balusters and varnish. Replace treads as needed. Sand and paint stairs. Retain later stair as is.

New windows. Indicate the condition of existing windows (sash, glazing, muntins, etc.) and the reasons for replacement. Photographs and window surveys must be provided as evidence of severe deterioration; provide data on the cost of repairing existing windows versus installing replacements. *Owners are strongly encouraged to retain and repair historic windows. The use of tinted glass often causes a change in character and may result in denial of certification.* Where replacement of existing windows appears justified by supporting documentation and where the windows are an integral part of the building's design and character, replacement sash should match the original in material, size, pane configuration, color, trim details, and planar and reflective qualities. Scaled drawings comparing the existing windows with the replacement windows should be provided.

Interior partitions and removing interior plaster. Indicate existing condition of the interior and document with photographs. Show which walls are to be removed or altered. Note whether trim elements and plaster will be affected. *Owners are strongly discouraged from changing floor plans unnecessarily and from exposing masonry surfaces unless this condition is supported by historical evidence.*

Exterior masonry cleaning. *Owners are strongly encouraged to clean masonry only when necessary to halt deterioration or to remove graffiti and stains.* Indicate the condition of each material to be cleaned. Specify what the cleaning is intended to accomplish (soot removal, paint removal, etc.) and what process is to be used on each masonry element. When chemical systems are to be employed, specify the product to be used and send supporting technical data (product data sheets and material safety data sheets) that indicate the hazardous ingredients and their pH levels. For all exterior masonry cleaning, send specifications. For instance, masonry cleaning involving chemical processes should give cleaning products to be used on each type of masonry, the strengths (percentage), water pressure to be used measured in pounds per square inch (psi), amount of water to be used, measured in gallons per minute (gpm), and the nozzle tip (measured in degrees) to be used. Provide supporting material to show that method selected is the gentlest means possible for this project. Summarize results of test patches, and include close-up color photographs of masonry surface before and after cleaning as evidence.

Exterior masonry repair. Indicate deteriorated areas that require repair and provide evidence that repointing mortar will match the original in composition (i.e., ratio of lime, cement, sand and any additives), color, texture, and tooling. *Owners are encouraged to repoint only those portions of the masonry that require repair.*

New additions and new construction. New exterior additions may alter the appearance and form of historic structures, and may cause denial of certification. Similarly, new construction, including site work, may affect the relationship of a structure to its site, change the historic landscape, or otherwise damage the historic character of the property. *Owners are strongly encouraged to obtain NPS approval before undertaking projects involving new construction.*

REQUEST FOR CERTIFICATION OF COMPLETED WORK

A project does not beome a "certified rehabilitation" eligible for tax incentives until it is completed and so designated by the NPS. Upon completion of the rehabilitation project, the owner or owners must submit a Request for Certification of Completed Work, including photographs of completed work (both exterior and interior, preferably showing the same views as shown in "before" photographs). If a Part 2 application has not been submitted in advance of project completion, it must accompany the Request for Certification of Completed Work. If a Part 2 application has been submitted for review of proposed or ongoing work, submit only the Request for Certification of Completed Work.

Return the completed form to the SHPO. The completed project may be inspected by an authorized representative of the Secretary to determine if the work meets the "Standards for Rehabilitation."

To complete the Request for Certification of Completed Work:

1. **Name of property.** Provide the name and address of the property exactly as furnished in the Historic Preservation Certification Application—Part 2. Indicate whether the property is a certified historic structure. If so, give the date of certification by the NPS or the date of listing in the National Register.

2. **Data on rehabilitation project.** Give the project number that the NPS assigned to the rehabilitation project, if known. Give the date on which the project started and the date on which the rehabilitation work was completed and the building placed in service. Provide the costs attributed solely to the rehabilitation of the historic structure. Give the costs of new construction associated with the rehabilitation, including additions, site work, parking lots and landscaping.

3. **Owner.** Give the owner's name. Sign and date the application. If the owner is a corporation or partnership, give both the name of that entity and the name of the person who signs the form. Give the owner's Social Security or Taxpayer Identification Number. Provide the owner's address and daytime telephone number. By his or her signature, the owner certifies that in his or her opinion the completed rehabilitation meets the Secretary of the Interior's "Standards for Rehabilitation" and is consistent with the work described in the Historic Preservation Certification Application—Part 2. On the reverse of the form, give the names, addresses and Social Security or Taxpayer Identification Numbers of *all* owners. Give the NPS project number at the top of the page. Use a blank sheet of paper if necessary, taking care to put the NPS project number at the top of any extra pages.

Processing Fees. In accordance with regulations set forth in 36 CFR Part 67.11, application processing fees will be charged for reviews of requests for certifications of rehabilitation except for projects under $20,000. *Do not send payment until requested to do so.* The NPS will notify the applicant of the amount to be submitted by return mail. Final action will not be taken on an application until payment is received. Fees are nonrefundable.

The fee for review of *proposed or ongoing* rehabilitation work for all projects over $20,000 is $250. The fee for review of completed rehabilitation work is based on the dollar amount spent on the rehabilitation as follows:

Fee	Size of Rehabilitation
$500	$20,000 to $99,000
$800	$100,000 to $499,999
$1,500	$500,000 to $999,999
$2,500	$1,000,000 or more

If a review of proposed or ongoing rehabilitation work has been made prior to submission of the Request for Certification of Completed Work, the NPS will deduct $250 from the total owed for review of completed rehabilitation work. In general, each rehabilitation of a certified historic structure will be considered a separate project when computing the amount of the fee. Consult 36 CFR Part 67.11 for exceptions.

Additional guidance on any aspect of this application may be obtained from the SHPO and the NPS regional offices. Also available from these sources are the "Guidelines for Rehabilitating Historic Buildings," the National Register publications mentioned above, and a series of Preservation Briefs on topics such as cleaning, coating and repair of masonry, storefront alterations, exterior paint problems, and window treatments.

PRIVACY ACT AND PAPERWORK REDUCTION ACT NOTICE

The information requested in this application is being collected through the State Historic Preservation Offices to enable the Secretary of the Interior to evaluate the historic significance of structures located in historic districts, and to evaluate the rehabilitation of such structures. The primary use of this information by the Secretary of the Interior will be to certify to the Secretary of the Treasury that the applicant is eligible for Federal tax incentives, or that the applicant is *not* eligible for such incentives. Response to this request is required to obtain a benefit. This application is used by the Internal Revenue Service to compute the value of the historic preservation investment tax credit and other tax incentives accruing to qualified owners of certified historic structures; the application must be attached to income tax returns. Collection of owners' Social Security Numbers or Taxpayers Identification Numbers is authorized by Internal Revenue Code section 6109.

Public reporting burden for this form is estimated to average 2.5 hours per response including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding this burden estimate or any aspect of this form may be made to the Chief, Administrative Services Division, National Park Service, P.O. Box 37127, Washington, DC 20013-7127 and to the Office of Management and Budget, Paperwork Reduction Project Number 1024-0009, Washington, DC 20503.

National Park Service Regional Offices (Cultural Programs) Issuing Certifications	**States within Region**—For address and telephone number of the pertinent State Historic Preservation Office, contact the National Park Service Regional Office.
Alaska Region	
Preservation Tax Incentives National Park Service 2525 Gambell Street Anchorage, Alaska 99503-2892 (907) 257-2543	Alaska
Mid-Atlantic Region	
Preservation Tax Incentives National Park Service Office of Cultural Programs U.S. Customs House, 2nd Floor Second and Chestnut Streets Philadelphia, Pennsylvania 19106 (215) 597-5129	Connecticut, Delaware, District of Columbia, Indiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia
Rocky Mountain Region	
Preservation Tax Incentives National Park Service 12795 West Alameda Parkway P.O. Box 25287 Denver, Colorado 80225 (303) 969-2875	Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wisconsin, Wyoming
Southeast Region	
Preservation Tax Incentives National Park Service 75 Spring Street, SW Atlanta, Georgia 30303 (404) 331-2632	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, Virgin Islands
Western Region	
Preservation Tax Incentives National Park Service 600 Harrison Street Suite 600 San Francisco, California 94107-1372 (415) 744-3988	Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington

Form 10-168
Rev. 12/90

UNITED STATES DEPARTMENT OF THE INTERIOR

OMB Approved
No 1024-0009

NATIONAL PARK SERVICE

HISTORIC PRESERVATION CERTIFICATION APPLICATION
PART 1 — EVALUATION OF SIGNIFICANCE

NPS Office Use Only

NRIS No

NPS Office Use Only

Project No

Instructions: Read the instructions carefully before completing application. No certification will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets or attach blank sheets.

1. **Name of property:** ______

Address of property: Street ______

City ______ County ______ State ______ Zip ______

Name of historic district: ______

☐ National Register district ☐ certified state or local district ☐ potential historic district

2. **Check nature of request:**

☐ certification that the building contributes to the significance of the above-named historic district (or National Register property) for the purpose of rehabilitation
☐ certification that the structure or building and, where appropriate, the land area on which such a structure or building is located contributes to the significance of the above-named historic district for a charitable contribution for conservation purposes.
☐ certification that the building does not contribute to the significance of the above-named district.
☐ preliminary determination for individual listing in the National Register
☐ preliminary determination that a building located within a potential historic district contributes to the significance of the district
☐ preliminary determination that a building outside the period or area of significance contributes to the significance of the district

3. **Project contact:**

Name ______

Street ______ City ______

State ______ Zip ______ Daytime Telephone Number ______

4. **Owner:**

I hereby attest that the information I have provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that falsification of factual representations in this application is subject to criminal sanctions of up to $10,000 in fines or imprisonment for up to five years pursuant to 18 U.S.C. 1001

Name ______ Signature ______ Date ______

Organization ______

Social Security or Taxpayer Identification Number ______

Street ______ City ______

State ______ Zip ______ Daytime Telephone Number ______

NPS Office Use Only

The National Park Service has reviewed the "Historic Preservation Certification Application — Part 1" for the above-named property and hereby determines that the property:

☐ contributes to the significance of the above-named district (or National Register property) and is a "certified historic structure" for the purpose of rehabilitation
☐ contributes to the significance of the above-named district and is a "certified historic structure" for a charitable contribution for conservation purposes in accordance with the Tax Treatment Extension Act of 1980
☐ does not contribute to the significance of the above-named district.

Preliminary Determinations

☐ appears to meet the National Register Criteria for Evaluation and will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer according to the procedures set forth in 36 CFR Part 60
☐ does not appear to meet the National Register Criteria for Evaluation and will likely not be listed in the National Register.
☐ appears to contribute to the significance of a potential historic district, which will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer
☐ appears to contribute to the significance of a registered historic district but is outside the period or area of significance as documented in the National Register nomination or district documentation on file with the NPS
☐ does not appear to qualify as a certified historic structure

Date ______ National Park Service Authorized Signature ______ National Park Service Office/Telephone No ______

☐ See Attachments

HISTORIC PRESERVATION CERTIFICATION APPLICATION— PART 1

NPS Office Use Only

Project Number:

Property Name

Property Address

5. Description of physical appearance:

Date of Construction. ____________ Source of Date: ____________

Date(s) of Alteration(s): ____________

Has building been moved? ☐ yes ☐ no If so, when? ____________

6. Statement of significance:

7. Photographs and maps.

Attach photographs and maps to application

Continuation sheets attached. ☐ yes ☐ no

Form 10-168a
Rev 12/90

UNITED STATES DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

OMB Approved
No 1024-0009

HISTORIC PRESERVATION CERTIFICATION APPLICATION
PART 2 — DESCRIPTION OF REHABILITATION

NPS Office Use Only

NRIS No

NPS Office Use Only

Project No

Instructions: Read the instructions carefully before completing application. No certification will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets or attach blank sheets. A copy of this form may be provided to the Internal Revenue Service. The decision by the National Park Service with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form shall take precedence.

1. **Name of property:** ______

Address of property: Street ______

City ______ County ______ State ______ Zip ______

☐ Listed individually in the National Register of Historic Places, give date of listing: ______

☐ Located in a Registered Historic District, specify: ______

Has a Part 1 Application (Evaluation of Significance) been submitted for this project? ☐ yes ☐ no

If yes, date Part 1 submitted: ______ Date of certification: ______ NPS Project Number: ______

2. **Data on building and rehabilitation project:**

Date building constructed ______

Type of construction: ______

Use(s) before rehabilitation: ______

Proposed use(s) after rehabilitation ______

Estimated cost of rehabilitation: ______

This application covers phase number ______ of ______ phases

Project/phase start date (est.): ______

Total number of housing units before rehabilitation ______

Number that are low-moderate income: ______

Total number of housing units after rehabilitation: ______

Number that are low-moderate income ______

Floor area before rehabilitation. ______

Floor area after rehabilitation ______

Completion date (est.) ______

3. **Project contact:**

Name ______

Street ______ City ______

State ______ Zip ______ Daytime Telephone Number ______

4. **Owner:**

I hereby attest that the information I have provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that falsification of factual representations in this application is subject to criminal sanctions of up to $10,000 in fines or imprisonment for up to five years pursuant to 18 U S C 1001

Name ______ Signature ______ Date ______

Organization ______

Social Security or Taxpayer Identification Number ______

Street ______ City ______

State ______ Zip ______ Daytime Telephone Number ______

NPS Office Use Only

The National Park Service has reviewed the "Historic Certification Application — Part 2" for the above-named property and has determined

☐ that the rehabilitation described herein is consistent with the historic character of the property or the district in which it is located and that the project meets the Secretary of the Interior's "Standards for Rehabilitation." This letter is a preliminary determination only, since a formal certification of rehabilitation can be issued only to the owner of a "certified historic structure" after rehabilitation work is completed.

☐ that the rehabilitation or proposed rehabilitation will meet the Secretary of the Interior's "Standards for Rehabilitation" if the attached conditions are met

☐ that the rehabilitation or proposed rehabilitation is not consistent with the historic character of the property or the district in which it is located and that the project does not meet the Secretary of the Interior's "Standards for Rehabilitation." A copy of this form will be provided to the Internal Revenue Service

Date ______ National Park Service Authorized Signature ______ National Park Service Office/Telephone No ______

☐ See Attachments

HISTORIC PRESERVATION CERTIFICATION APPLICATION— PART 2

NPS Office Use Only

Property Name ____________________

Project Number

Property Address ____________________

5. DETAILED DESCRIPTION OF REHABILITATION/PRESERVATION WORK—Includes site work, new construction, alterations, etc. Complete blocks below

NUMBER 1

Architectural feature ____________________

Approximate date of feature ____________________

Describe existing feature and its condition

Photo no. ________ Drawing no ________

Describe work and impact on existing feature

NUMBER 2

Architectural feature ____________________

Approximate date of feature ____________________

Describe existing feature and its condition

Photo no ________ Drawing no ________

Describe work and impact on existing feature

NUMBER 3

Architectural feature ____________________

Approximate date of feature ____________________

Describe existing feature and its condition

Photo no. ________ Drawing no ________

Describe work and impact on existing feature

NUMBER 4

Architectural feature ____________________

Approximate date of feature ____________________

Describe existing feature and its condition:

Photo no. ________ Drawing no ________

Describe work and impact on existing feature

HISTORIC PRESERVATION CERTIFICATION APPLICATION— PART 2

NPS Office Use Only

Project Number

Property Name ______________________

Property Address ______________________

NUMBER 5

Architectural feature ______________________

Approximate date of feature ______________________

Describe existing feature and its condition

Photo no. ________ Drawing no ________

Describe work and impact on existing feature:

NUMBER 6

Architectural feature ______________________

Approximate date of feature ______________________

Describe existing feature and its condition

Photo no. ________ Drawing no ________

Describe work and impact on existing feature

NUMBER 7

Architectural feature ______________________

Approximate date of feature ______________________

Describe existing feature and its condition

Photo no ________ Drawing no ________

Describe work and impact on existing feature

NUMBER 8

Architectural feature ______________________

Approximate date of feature ______________________

Describe existing feature and its condition

Photo no ________ Drawing no ________

Describe work and impact on existing feature

HISTORIC PRESERVATION
CERTIFICATION APPLICATION—
PART 2

NPS Office Use Only

Project Number

Property Name

Property Address

NUMBER 9

Architectural feature ______

Approximate date of feature ______

Describe existing feature and its condition

Photo no ______ Drawing no ______

Describe work and impact on existing feature

NUMBER 10

Architectural feature ______

Approximate date of feature ______

Describe existing feature and its condition

Photo no ______ Drawing no ______

Describe work and impact on existing feature

NUMBER 11

Architectural feature ______

Approximate date of feature ______

Describe existing feature and its condition

Photo no ______ Drawing no ______

Describe work and impact on existing feature

NUMBER 12

Architectural feature ______

Approximate date of feature ______

Describe existing feature and its condition

Photo no ______ Drawing no ______

Describe work and impact on existing feature

HISTORIC PRESERVATION CERTIFICATION APPLICATION— PART 2

NPS Office Use Only

Project Number

Property Name

Property Address

NUMBER 13	
Architectural feature ______ Approximate date of feature ______ Describe existing feature and its condition Photo no ______ Drawing no ______	Describe work and impact on existing feature

NUMBER 14	
Architectural feature ______ Approximate date of feature ______ Describe existing feature and its condition Photo no ______ Drawing no ______	Describe work and impact on existing feature

NUMBER 15	
Architectural feature ______ Approximate date of feature ______ Describe existing feature and its condition Photo no ______ Drawing no ______	Describe work and impact on existing feature

NUMBER 16	
Architectural feature ______ Approximate date of feature ______ Describe existing feature and its condition Photo no ______ Drawing no ______	Describe work and impact on existing feature

HISTORIC PRESERVATION CERTIFICATION APPLICATION— PART 2

NPS Office Use Only

Project Number

Property Name

Property Address

NUMBER 17

Architectural feature

Approximate date of feature

Describe existing feature and its condition.

Photo no Drawing no

Describe work and impact on existing feature:

NUMBER 18

Architectural feature

Approximate date of feature

Describe existing feature and its condition.

Photo no Drawing no

Describe work and impact on existing feature

NUMBER 19

Architectural feature

Approximate date of feature

Describe existing feature and its condition

Photo no Drawing no

Describe work and impact on existing feature

NUMBER 20

Architectural feature

Approximate date of feature

Describe existing feature and its condition

Photo no Drawing no

Describe work and impact on existing feature

Form 10-168b
Rev 12/90

OMB Approved
No 1024-0009

CONTINUATION/AMENDMENT SHEET

Historic Preservation Certification Application

Property Name ______________________

Property Address ______________________

Instructions. Read the instructions carefully before completing. Type, or print clearly in black ink. Use this sheet to continue sections of the Part 1 and Part 2 application, or to amend an application already submitted. Photocopy additional sheets as needed.

This sheet. ☐ continues Part 1 ☐ continues Part 2 ☐ amends Part 1 ☐ amends Part 2 NPS Project Number ______________

Name ______________ Signature ______________ Date ______________

Street ______________ City ______________

State ______________ Zip ______________ Daytime Telephone Number ______________

NPS Office Use Only

☐ The National Park Service has determined that these project amendments meet the Secretary of the Interior's "Standards for Rehabilitation."

☐ The National Park Service has determined that these project amendments will meet the Secretary of the Interior's "Standards for Rehabilitation" if the attached conditions are met.

☐ The National Park Service has determined that these project amendments do not meet the Secretary of the Interior's "Standards for Rehabilitation."

Date ______________ National Park Service Authorized Signature ______________ National Park Service Office/Telephone No ______________

☐ See Attachments

CONTINUATION/AMENDMENT SHEET

Property Name

Historic Preservation
Certification Application

Property Address

Form 10-168b
Rev 12/90

OMB Approved
No 1024-0009

CONTINUATION/AMENDMENT SHEET

Historic Preservation Certification Application

Property Name ______________________

Property Address ______________________

Instructions. Read the instructions carefully before completing. Type or print clearly in black ink. Use this sheet to continue sections of the Part 1 and Part 2 application or to amend an application already submitted. Photocopy additional sheets as needed.

This sheet ☐ continues Part 1 ☐ continues Part 2 ☐ amends Part 1 ☐ amends Part 2 NPS Project Number ______________

Name ______________ Signature ______________ Date ______________

Street ______________ City ______________

State ______________ Zip ______________ Daytime Telephone Number ______________

NPS Office Use Only

☐ The National Park Service has determined that these project amendments meet the Secretary of the Interior's "Standards for Rehabilitation."

☐ The National Park Service has determined that these project amendments will meet the Secretary of the Interior's "Standards for Rehabilitation" if the attached conditions are met.

☐ The National Park Service has determined that these project amendments do not meet the Secretary of the Interior's "Standards for Rehabilitation."

Date ______________ National Park Service Authorized Signature ______________ National Park Service Office/Telephone No ______________

☐ See Attachments

CONTINUATION/AMENDMENT SHEET

Historic Preservation
Certification Application

Property Name

Property Address

Form 10-168c
Rev 12/90

UNITED STATES DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

OMB Approval
No 1024-0009

HISTORIC PRESERVATION CERTIFICATION APPLICATION

REQUEST FOR CERTIFICATION OF COMPLETED WORK

NPS Office Use Only:

NRIS No

Instructions: Upon completion of the rehabilitation, return this form with representative photographs of the completed work (both exterior and interior views) to the appropriate reviewing office If a Part 2 application has not been submitted in advance of project completion, it must accompany this Request for Certification of Completed Work A copy of this form will be provided to the Internal Revenue Service Type or print clearly in black ink. The decision by the National Park Service with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form shall take precedence

1. **Name of property:** ______

Address of property: Street ______

City ______ County ______ State ______ Zip ______

Is property a certified historic structure? ☐ yes ☐ no If yes, date of certification by NPS ______

or date of listing in the National Register ______

2. **Data on rehabilitation project:**

National Park Service assigned rehabilitation project number ______

Project starting date ______

Rehabilitation work on this property was completed and the building placed in service on: ______

Estimated costs attributed solely to the rehabilitation of the historic structure $ ______

Estimated costs attributed to new construction associated with the rehabilitation, including additions, site work, parking lots, landscaping: $ ______

3. **Owner:** (space on reverse for additional owners)

I hereby apply for certification of rehabilitation work described above for purposes of the Federal tax incentives I hereby attest that the information provided is to the best of my knowledge, correct, and that in my opinion the completed rehabilitation meets the Secretary's "Standards for Rehabilitation" and is consistent with the work described in Part 2 of the Historic Preservation Certification Application I also attest that I own the property described above I understand that falsification of factual representations in this application is subject to criminal sanctions of up to $10,000 in fines or imprisonment for up to five years pursuant to 18 U S C 1001

Name ______ Signature ______ Date ______

Organization ______

Social Security or Taxpayer Identification Number ______

Street ______ City ______

State ______ Zip ______ Daytime Telephone Number ______

NPS Office Use Only

The National Park Service has reviewed the "Historic Preservation Certification Application — Part 2" for the above-listed "certified historic structure" and has determined

☐ that the completed rehabilitation meets the Secretary of the Interior's "Standards for Rehabilitation" and is consistent with the historic character of the property or the district in which it is located Effective the date indicated below the rehabilitation of the "certified historic structure" is hereby designated a "certified rehabilitation" A copy of this certification has been provided to the Department of the Treasury in accordance with Federal law This letter of certification is to be used in conjunction with appropriate Internal Revenue Service regulations Questions concerning specific tax consequences or interpretations of the Internal Revenue Code should be addressed to the appropriate local Internal Revenue Service office Completed projects may be inspected by an authorized representative of the Secretary to determine if the work meets the "Standards for Rehabilitation" The Secretary reserves the right to make inspections at any time up to five years after completion of the rehabilitation and to revoke certification, if it is determined that the rehabilitation project was not undertaken as presented by the owner in the application form and supporting documentation, or the owner, upon obtaining certification, undertook unapproved further alterations as part of the rehabilitation project inconsistent with the Secretary's "Standards for Rehabilitation"

☐ that the rehabilitation is not consistent with the historic character of the property or the district in which it is located and that the project does not meet the Secretary of the Interior's "Standards for Rehabilitation" A copy of this form will be provided to the Internal Revenue Service

______ Date | ______ National Park Service Authorized Signature | ______ National Park Service Office/Telephone No

☐ See Attachments

REQUEST FOR CERTIFICATION OF COMPLETED WORK, *continued*

NPS Project No. ____________________

Additional Owners

Name ____________________
Street ____________________
City ____________________ State ____________ Zip ____________
Social Security or Taxpayer Identification Number: ____________________

Name ____________________
Street ____________________
City ____________________ State ____________ Zip ____________
Social Security or Taxpayer Identification Number: ____________________

Name ____________________
Street ____________________
City ____________________ State ____________ Zip ____________
Social Security or Taxpayer Identification Number: ____________________

Name ____________________
Street ____________________
City ____________________ State ____________ Zip ____________
Social Security or Taxpayer Identification Number: ____________________

Name ____________________
Street ____________________
City ____________________ State ____________ Zip ____________
Social Security or Taxpayer Identification Number: ____________________

Name ____________________
Street ____________________
City ____________________ State ____________ Zip ____________
Social Security or Taxpayer Identification Number: ____________________

EXHIBIT D

102D CONGRESS
1ST SESSION

H. R. 1566

To amend the Internal Revenue Code of 1986 with respect to the treatment of the low-income housing credit and the rehabilitation credit under the passive activity limitations.

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 1991

Mrs. KENNELLY (for herself, Mr. SCHULZE, Mr. MOODY, Mr. NAGLE, Mr. BERNARD, Mr. MAZZOLI, Mr. NOWAK, Mr. BRYANT, Mr. LEWIS of Georgia, and Mrs. MINK) introduced the following bill; which was referred to the Committee on Ways and Means

---

A BILL

To amend the Internal Revenue Code of 1986 with respect to the treatment of the low-income housing credit and the rehabilitation credit under the passive activity limitations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. TREATMENT OF LOW-INCOME HOUSING CREDIT AND REHABILITATION CREDIT UNDER PASSIVE ACTIVITY LIMITATIONS.

(a) GENERAL RULE.—Paragraphs (2) and (3) of section 469(i) of the Internal Revenue Code of 1986 (relating

to $25,000 offset for rental real estate activities) are amended to read as follows:

"(2) DOLLAR LIMITATIONS.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the aggregate amount to which paragraph (1) applies for any taxable year shall not exceed $25,000 reduced (but not below zero) by 50 percent of the amount (if any) by which the adjusted gross income of the taxpayer for the taxable year exceeds $100,000.

"(B) $65,000 LIMIT FOR CERTAIN CREDITS.—In the case of the portion of the passive activity credit for any taxable year which is attributable to any credit determined under section 42 or to the rehabilitation credit determined under section 47—

"(i) subparagraph (A) shall not apply, and

"(ii) paragraph (1) shall not apply to the extent that the deduction equivalent of such portion exceeds—

"(I) $65,000, reduced by

"(II) the aggregate amount of the passive activity loss (and the deduction equivalent of any passive ac-

tivity credit which is not so attributable) to which paragraph (1) applies for the taxable year after the application of subparagraph (A).

"(3) ADJUSTED GROSS INCOME.—For purposes of paragraph (2)(A), adjusted gross income shall be determined without regard to—

"(A) any amount includible in gross income under section 86,

"(B) any amount excludable from gross income under section 135,

"(C) any amount allowable as a deduction under section 219, and

"(D) any passive activity loss."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 469(i)(4) of such Code is amended to read as follows:

"(B) REDUCTION FOR SURVIVING SPOUSE'S EXEMPTION.—For purposes of subparagraph (A)—

"(i) the $25,000 amount under paragraph (2)(A) shall be reduced by the amount of the exemption under paragraph (1) (determined without regard to the reduction contained in paragraph (2)(A))

which is allowable to the surviving spouse of the decedent for the taxable year ending with or within the taxable year of the estate and which is not attributable to a credit to which paragraph (2)(B) applies, and

"(ii) a similar reduction shall be made to the $65,000 amount under paragraph (2)(B)."

(2) Subparagraph (A) of section 469(i)(5) of such Code is amended by striking clauses (i), (ii), and (iii) and inserting the following:

"(i) '$12,500' for '$25,000' in paragraph (2)(A),

"(ii) '$50,000' for '$100,000' in paragraph (2)(A)", and

"(iii) '$32,500' for '$65,000' in paragraph (2)(B)."

(3) The subsection heading for subsection (i) of section 469 of such Code is amended by striking "$25,000".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 1990, in taxable years ending after such date.

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